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UNEMPLOYMENT COMPENSATION

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

ADMINISTRATION AND OTHER PROPOSALS ON UNEMPLOYMENT COMPENSATION

APRIL 22 AND 23, 1974

Printed for the use of the Committee on Ways and Means

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UNEMPLOYMENT COMPENSATION

MONDAY, APRIL 22, 1974

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee hearing room, Longworth House Office Building, Hon. Al Ullman presiding.

Mr. Ullman. The committee will be in order.

The purpose of this hearing today and tomorrow is to receive testimony on the proposal entitled, "Job Security Assistance Act of 1974." and other proposals pending before the Committee on Ways and Means.

Without objection the press release of the committee dated April 22, 1974, will be included in the record at this point. Also at this point material related to the administration's proposal transmitted to the Congress by the Secretary of Labor and material prepared by the staff of the committee entitled, "Information Relating to Federal-State Unemployment Compensation Laws," will be made a part of this printed record.

[The information referred to follows:]

[Press release of Tuesday, Apr. 2, 1974]

Chairman Mills Announces Public Hearings on Administration and Other Proposals on Unemployment Compensation

Chairman Wilbur D. Mills (D., Ark.), Committee on Ways and Means, U.S. House of Representatives, today announced that the Committee on Ways and Means would conduct two days of public hearings, on Monday, April 22 and Tuesday, April 23, 1974, on the Administration proposal on unemployment compensation entitled the "Job Security Assistance Act of 1974" and on other unemployment compensation proposals presently pending before the Committee on Ways and Means. The Chairman stated that, due to the schedule of the Committee, it is manadtory that the Committee complete the public hearings on this subject within the time period, namely, April 22nd and 23rd. This will require strict allocation of time for presentation of verbal testimony by each witness.

The original Administration proposal on this subject in the 93rd Congress was submitted to the Congress on May 7, 1973, and was introduced in bill form (H.R. 8600). The more recent Administration proposal, which contains additional provisions, was submitted on February 13, 1974, in Executive Communication No. 1897. This communication and the draft bill embodying the proposal are available in the form of a Committee Print from the Main Committee Office of the Committee on Ways and Means, 1102 Longworth House Office Building.

Administration officials will be the leadoff witnesses at the hearing; testimony from the general public will be received upon completion of the Administration testimony.

In view of the heavy schedule of the Committee and the limited time available for this hearing, it will be necessary to allocate the amount of time available to

each witness for the presentation of his direct oral testimony, and it will be mandatory on all witnesses not to exceed the time allocated for this purpose. The witnesses' full statements will be included in the record of the hearing. Due to the limited time available, it is absolutely mandatory that all witnesses with identical or similar positions coordinate their testimony to the greatest extent possible.

Cutoff Date for Requests to be Heard: Requests to be heard must be received by the Committee no later than the close of business Friday, April 12. Requests should be addressed to John M. Martin, Jr., Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C., 20515. Notification as to the witness' scheduled date of appearance will be made as promptly as possible after the cutoff date. Once the witness has been advised of his date of appearance, it is not possible for this date to be changed. If a witness finds that he cannot appear on that day, he may wish to either substitute another spokesman in his stead or file a written statement for the record of the hearing in lieu of a personal appearance, because under no circumstance will the date of an appearance be changed.

Requests to be heard must contain the following information:

1. The name, full address and capacity in which the witness will appear.
2. The list of persons or organizations the witness represents and in the case of associations and organizations, their address or addresses, their total membership and, where possible, a membership list.
3. If a witness wishes to make a statement on his own behalf, he must still nevertheless indicate whether he has any specific clients who have an interest in the subject, or in the alternative, he must indicate that he does not represent any clients having an interest in the subject he will be discussing.
4. A topical outline or summary of the comments and recommendations which the witness proposes to make.

Coordination of Testimony: In view of the heavy schedule of the Committee and the limited amount of time available to the Committee in which to complete this hearing, it is mandatory that all persons and organizations with the same general interest designate one spokesman to represent them so as to conserve the time of the Committee and the other witnesses, prevent repetition, and assure that all aspects of the subject being discussed at the hearing can be given appropriate attention.

As indicated above, the amount of time available to each witness for the presentation of his direct oral testimony will be allocated. Witnesses are urged to verbally summarize their statements; the complete prepared statements submitted to the Committee will be included in the printed record of the hearing and will be reviewed and fully considered by the Members of the Committee.

It is requested that persons scheduled to appear before the Committee to testify at this hearing submit 75 copies of their prepared statements to the Committee office no later than 48 hours prior to their scheduled appearance. An additional 75 copies may be furnished for distribution to the press and the interested public on the date of appearance.

Any interested person or organization may, in lieu of a personal appearance, file a written statement for inclusion in the printed record of the hearing. For this purpose, statements should be submitted in triplicate by the close of business Tuesday, April 23. Additional copies may be furnished for distribution to the press and the interested public during the course of the public hearing.

INFORMATION RELATING TO FEDERAL-STATE UNEMPLOYMENT COMPENSATION LAWS

Including Material Relating to the Administration's Proposed Amendments to the Unemployment Compensation Laws Submitted by the U.S. Department of Labor

APRIL 22, 1974

PREPARED BY THE STAFF OF THE

COMMITTEE ON WAYS AND MEANS

FOR THE USE OF THE COMMITTEE

NOTE: This material is printed for information only, and is not to be construed as the statement or position of the Committee on Ways and Means or any member thereof.

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INFORMATION RELATING TO FEDERAL-STATE UNEMPLOYMENT COMPENSATION LAWS

I. Description of the Present Unemployment Insurance Program

Unemployment insurance is a Federal-State system designed to provide temporary wage loss compensation to workers as protection against the economic hazards of unemployment. Funds accumulated from taxes on wages during periods of employment permit payment of benefits to covered workers during periods of unemployment. At the same time that the unemployed worker is assisted financially while he is looking for work, the benefit payments help maintain purchasing power and cushion the shock of unemployment. The term "State" includes the District of Columbia, and Puerto Rico.

THE STATUTES

The unemployment insurance system in this country is the product of Federal and State legislation. Approximately 86 percent of all nonfarm workers are covered by the Federal-State system established by the Social Security Act in 1935, with subsequent amendments, and consequent State legislation in all States, including the District of Columbia and Puerto Rico. The Federal taxing provisions are in the Federal Unemployment Tax Act, chapter 23 of the Internal Revenue Code (FUTA). Railroad workers are covered by a separate Federal program. Veterans with recent service in the Armed Forces and civilian Federal employees are covered by a Federal program, Chapter 85, Title 5, U.S.C., administered by the States.

The Federal provisions in the Social Security Act and the Federal Unemployment Tax Act establish the framework of the system. If a State has a law which meets certain minimum Federal requirements, employers may credit against their Federal tax the amounts they have paid to the State for benefits to the unemployed, and tax savings with which they have been credited under experience rating (up to 2.7 percent), and the State is entitled to Federal grants to cover all the necessary costs of administering the program.

Federal law requirements are separately stated for the administrative grants to States and for Federal tax credits to a State's employers. The administrative grant requirements are designed to ensure the use of State unemployment funds solely for unemployment benefits, to safeguard the investment of the fund, to guarantee an opportunity for fair hearing to all individuals whose benefit claims are denied, to ensure full and prompt payment of benefits, and to limit grant expenditures to amounts and purposes required for proper and efficient administration of the State law.

The Federal tax credit requirements add provisions that are designed to prevent adverse effects on labor standards, protect individuals from benefit denials solely because they are engaged in approved training or because they are living in or filing claims in another State (or Canada) assure participation of all States in an arrangement for combining the wages and employment of workers who have worked in more than one State, protect workers from total loss of

their benefit rights for reasons other than fraud, work-connected misconduct or receipt of disqualifying income, ensure State coverage of employees of certain nonprofit organizations and State hospitals, colleges, and universities and require States to pay extended benefits during periods of high unemployment in the State or Nation.

FINANCING THE PROGRAM

All employers covered by the Federal Unemployment Tax Act are charged a tax of 3.2 percent on the first $4,200 of each worker's wages. Employers who are also subject to an approved State law may offset 90 percent of this Federal tax by taxes and experience rating credits under the State law. Since all States have approved laws, the remainder of the tax, or 0.5 percent of taxable wages, is paid to the Federal Government.[1] This tax is used to pay the administrative expenses of Federal and State unemployment insurance and employment service agencies, the Federal share of the Federal-State extended unemployment compensation program, and to maintain the Reed Act loan fund.

All States levy taxes on employers within the State. Three States also collect contributions from employees.[2] These taxes are deposited by the State ot its account in an unemployment trust fund in the Federal Treasury, and withdrawn as needed to pay benefits. On December 31, 1973, the total reserve of all States was $10.9 million.

Standard rates

The standard rate of contributions under all but seven State laws is 2.7 percent. In New Jersey, the standard rate is 2.8 percent; Hawaii, Ohio, and Nevada, 3.0; Montana, 3.1; and North Dakota, 4.2. In Nevada the 3.0 percent rate applies only to unrated employers. In Idaho the standard rate is 2.7 percent if the ratio of the unemployment fund, as of the computation date, to the total payroll for the fiscal year is 4.25 percent or more; when the ratio falls below this point, the standard rate is 2.9 percent and, at specified lower ratios, 3.1 or 3.3 percent.

Variable rates

All State laws, except Puerto Rico, have in effect some system of experience rating by which individual employers' contribution rates are varied from the standard rate on the basis of their experience with the amount of unemployment encountered by their employees.

Federal requirements for experience rating

The Federal law allows employers additional credit [3] for a lowered rate of contribution if the rates were based on not less than 3 years of "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk." Since 1970, States may grant reduced rates (but not less than one percent) for newly covered employers with shorter experience.

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[1] For taxable year 1972 the tax was increased to 3.28 percent making the net payable 0.58 percent. Revenues from the .08 percent increase were used to pay the cost of extending the Emergency Unemployment Compensation Act of 1971.

[2] Alabama, Alaska, and New Jersey.

[3] Tax credit for the difference between the actual State rate paid by the employer and the lower of the State's highest rate or 2.7 percent.

State requirements for experience rating

In most States 3 years of experience with unemployment means more than 3 years of coverage and contribution experience. Factors affecting the time required to become a "qualified" employer include (1) the coverage provisions of the State law ("at any time" vs. 20 weeks); (2) in States using benefits or benefit derivatives in the experience-rating formula, the type of base period and benefit year and the lag between these two periods, which determine how soon a new employer may be charged for benefits; (3) the type of formula used for rate determinations; and (4) the length of the period between the date as of which rate computations are made and the effective date for rates.

Taxable wage base

Only a few States have adopted a higher tax base than that provided in the Federal Unemployment Tax Act. In these States an employer pays a tax on wages paid to (or earned by) each worker within a calendar year up to the amount specified in State law. In addition, most of the States provide an automatic adjustment of the wage base if the Federal law is amended to apply to a higher wage base than that specified under State law.

As a result of the many variables in State taxable wage base and tax rates, benefit formulas and economic conditions, actual tax rates vary greatly among the States. In 1972 the average tax rate for all the States was 1.70% of taxable wages, ranging from a high of 3.24% in Massachusetts to a low of .41% in Virginia, both on a taxable wage base of $4,200. Tax rates as a percentage of total wages ranged from a high of 2.08% in Puerto Rico to .23% in Virginia.

COVERAGE

The Federal Unemployment Tax Act is applicable to employers who employ one or more covered employees in at least 20 weeks in the current or preceding calendar year or who pay wages of $1,500 or more during any calendar quarter of the current or preceding calendar year. State legislatures tend to cover employers or employment subject to the Federal tax because, while there is no compulsion to do so, failure to do so is of no advantage to the State or to the employers involved.

States frequently cover employees or employment which is exempt from the Federal tax but exempt employers and employment subject to the Federal tax in only a few isolated instances.

Although State adoption of unemployment insurance laws has therefore been greatly influenced by the Federal statute, with a single exception, the State is free to determine the employers who are liable for contributions and the workers who accrue rights under the laws. The sole exception is the Federal requirement that States provide coverage for employees of nonprofit organizations and of State hospitals and institutions of higher learning even though such employment is exempt from FUTA. Except for nonprofit organizations, coverage is defined in terms of (a) the size of the employing unit's payroll or the number of days or weeks worked during a calendar year, (b) the employment relationship between the workers and the employer, and (c) the place where the worker is employed. Coverage under the laws is limited by exclusion of certain types of employment. In most States, however, coverage can be extended to excluded workers under provisions which permit voluntary election of coverage by employers.

The Federal and State definitions of employment exclude certain types of service from coverage. Since 1939 railroad workers have been excluded from coverage under the Federal-State system and covered by a special Federal unemployment insurance program administered by the Railroad Retirement Board.

The coverage provisions of most State laws utilize definitions of employing unit and employer. The employer covered is determined by the number of days or weeks a worker is employed or the amount of the employer's quarterly or yearly payroll. Originally, most State laws covered only those employers who, within a year, had eight or more workers in each of 20 weeks. This was due largely to the coverage provisions of the FUTA. As the States gained experience in administering unemployment insurance and as a result of the 1954 and 1970 amendments to the FUTA smaller firms have been brought under the Acts in all States.

Thirty States had adopted the Federal definition of employer; i.e., a quarterly payroll of $1,500 in the calendar year or preceding calendar year or one worker in 20 weeks. Eight States provide the broadest possible coverage by including all employers who have any covered service in their employ. The other States have requirements of less than 20 weeks or payrolls other than $1,500 in a calendar quarter.

EXCLUSIONS FROM COVERAGE

The following types of employment are generally exempt from coverage under FUTA, although certain States have provided coverage for some of the excluded services.

(*1*). *Agriculture labor.*—State laws generally exclude agricultural labor from coverage, except in four States.

(*2*). *Domestic service.*—Four States cover personal or domestic service in private homes, college clubs or fraternities. The remaining States exclude domestic service in private homes and most of them exclude college clubs, fraternities and sororities.

(*3*). *Service for relatives.*—All States exclude service for an employer by his spouse or minor child and, except in New York, service of an individual in the employ of his son or daughter.

(*4*). *Exempt nonprofit organizations, State hospitals and institutions of higher education.*—Although the 1970 amendments provided for coverage of certain services performed for nonprofit organizations and for State hospitals and institutions of higher education, the amendments permit the States to exclude from State coverage certain services. Services performed for a church, convention or association of churches, or an organization operated primarily for religious purposes are exempt. Also exempt are services performed by a duly ordained, commissioned, or licensed minister or a member of a religious order; in the employ of a school which is not an institution of higher education; in a facility conducting a program of rehabilitation for persons whose earning capacity is impaired; in a government sponsored work-relief or work-training program; or by inmates of correctional institutions employed in a hospital connected with the institution.

(*5*). *Service of students and spouses of students.*—Prior to the 1970 amendments, service in the employ of a school, college or university by a student enrolled and regularly attending classes at such school was excluded from the

definition of employment. The 1970 amendments retained this exclusion and also excluded service performed after December 31, 1969, by a student's spouse for the school, college or university at which the student is enrolled and regularly attending classes, provided the spouse's employment is under a program designed to give financial assistance to the student, and the spouse is advised that the employment is under such student-assistance program and is not covered by any program for unemployment insurance. Also excluded after December 31, 1969, is service performed for an employer other than a school, college, or university by a full-time student under the age of 22 in a work-study program provided that the service is an integral part of an educational program.

(*6*). *Service of patients for hospitals.*—The 1970 amendments excluded service performed for a hospital after December 31, 1969, by patients of the hospital. Such service may be excluded from coverage under the State law whether it is performed for a hospital which is operated for profit or for a nonprofit or State hospital which must be covered under the State law.

(*7*). *Service for Federal instrumentalities.*—An amendment to the FUTA, effective with respect to services performed after 1961, permits States to cover Federal instrumentalities which are neither wholly nor partially owned by the United States, nor exempt from the tax imposed under section 3301 of the Internal Revenue Code by virtue of any other provision of law which specifically refers to such section of the Code in granting such exemptions. All States except New Jersey have provisions in their laws that permit the coverage of service performed for such wholly privately owned Federal instrumentalities.

(*8*). *Service for State and local governments.*—Although the Federal act requires that certain service for State hospitals and State institutions of higher education be covered under the State law, it continues to exclude from coverage under the act service performed for State and local governments or their instrumentalities.

All States cover at least those categories of workers required to be covered under the Federal law and most States provide some form of coverage for other State and local government workers. About one-half of the States provide mandatory coverage for all State employees, and permit election of coverage by municipal corporations or other local government subdivisions. Several States, in addition to covering their own government workers, also provide mandatory coverage for special groups of workers employed by their instrumentalities or political subdivisions.

(*9*). *Maritime workers.*—The FUTA and most State laws initially excluded maritime workers, principally because it was thought that the Constitution prevented the States from covering such workers. Supreme Court decisions in *Standard Dredging Corporation* v. *Murphy* and *International Elevator Company* v. *Murphy*, 319 U.S. 306 (1943), were interpreted to the effect that there is no such bar. In 1946 the FUTA was amended to permit any State from which the operations of an American vessel operating on navigable waters within or within and without the United States are ordinarily regularly supervised, managed, directed, and controlled, to require contributions to its unemployment fund under its State unemployment compensation law. Most States now have such coverage.

(*10*). *Coverage of service by reason of Federal coverage.*—Most States have a provision that any service covered by the FUTA is employment under the State law. This provision would permit immediate coverage of excluded

workers if the Federal act were amended to include them. Many States have added another provision that automatically covers any service which the Federal law requires to be covered even though it is service which is not covered under the Federal law.

(*11*). *Voluntary coverage of excluded employments.*—In all States except Alabama, Massachusetts, and New York, employers, with the approval of the State agency, may elect to cover most types of employment which are exempt under their laws. The Massachusetts law, however, does permit services for nonprofit organizations to be covered on an elective basis and the New York law permits employers to elect coverage of agricultural workers under certain conditions.

(*12*). *Self-employment.*—Employment, for purposes of unemployment insurance coverage, is employment of workers who work for others for wages; it does not include self-employment. One small exception has been incorporated in the California law. A subject employer may apply for coverage of his own services: if his election is approved, his wages for purposes of contributions and benefits are deemed to be $2,148 a quarter, and his contribution rate is fixed at 1.25 percent of wages.

BENEFIT RIGHTS

There are no Federal standards for benefits, as to qualifying requirements, benefit amounts, or regular benefit duration. Hence there is no common pattern of benefit provisions comparable to that in coverage and financing. The States have developed quite diverse and complex formulas for determining workers' benefit rights.

The interrelationship between the various factors on which these benefits rights depend is so close that it is important to take into consideration all the interdependent factors—the amount of employment and wages required to qualify an individual for benefits, the period for earning such wages, the method of computing the weekly benefit amount, and the method of determining the length of time for which benefits may be paid—in comparing the benefit formulas of different State laws.

Under all State unemployment insurance laws, a worker's benefit rights depend on his experience in covered employment in a past period of time, called the *base period.* The period during which the weekly rate and the duration of benefits determined for a given worker apply to him is called his *benefit year.*

The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. To qualify for benefits as an insured worker, a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment within the base period, or must have met some combination of wage and employment requirements. He must also be free from disqualification for causes which vary among the States. All but a few States require a claimant to serve a waiting period before his unemployment may be compensable.

All States determine an amount payable for a week for total unemployment as defined in the State law. Usually a week of total unemployment is a week in which the claimant performs no work and with respect to which no remuneration is payable. In a few States, specified small amounts of odd-job earnings are disregarded in determining a week of unemployment. In most States a worker is partially unemployed in a week of less than full-time work when he earns

less than his weekly benefit amount. He receives as benefits for such a week the difference between his weekly benefit amount and his earnings, usually with a small allowance as a financial inducement to take short-time work.

The maximum amount of benefits which a claimant may receive in a benefit year is expressed in terms of dollar amounts, usually equal to a specified number of weeks of benefits for total unemployment. A partially unemployed worker may thus draw benefits for a greater number of weeks. In several States all eligible claimants have the same potential weeks of benefits; in the other States, potential duration of benefits varies with the claimant's wages or employment in the base period, up to a specified number of weeks of benefits for total unemployment.

Qualifying wages and employment

All States require that an individual must have earned a specified amount of wages or must have worked for a certain period of time within his base period, or both, to qualify for benefits. The purpose of such qualifying requirements is to admit to participation in the benefits of the system only such workers as are genuinely attached to the labor force of covered workers.

(*1*). *Multiple of the weekly benefit or high quarter wages.*—Some States express their earnings requirement in terms of a specified multiple of the weekly benefit amount. Such States have a weekly benefit formula based on high-quarter wages. The multiple used in the qualifying wage formula (21+ to 40 but typically 30) is greater than the denominator in the fraction used in computing the weekly benefit. In these States the formula automatically requires wages in at least two quarters of the base period except for those claimants who qualify for the maximum weekly benefit. Most of the States with this type of qualifying requirement add a specific requirement of wages in at least two quarters which applies especially to workers with large high-quarter earnings and maximum weekly benefits. Many of the States with a high-quarter formula have an additional requirement of a specified minimum amount of earnings in the high quarter. Such provisions tend to eliminate from benefits part-time and low-paid workers whose average weekly earnings might be less than the State's minimum benefit.

(*2*). *Flat qualifying amount.*—States with a flat minimum qualifying amount include most States with an annual-wage formula for determining the weekly benefit and some States with a high-quarter wage benefit formula.

In all these States any worker earning the specified amount or more within the base period is entitled to some benefits, but the flat qualifying amount entitles a worker to only limited amounts of benefits. The qualifying amounts for higher weekly benefits are included in the quarterly or annual amounts which entitle a claimant to higher weekly benefits and more weeks of benefits, according to the details of the formulas. Of the States with a flat qualifying amount and a high-quarter formula, about half require wages in more than one quarter to qualify for any benefits. Others do not require any wages in a quarter other than the high quarter to qualify for benefits.

(*3*). *Weeks of employment.*—More than one-fourth of the States require that an individual must have worked a specified number of weeks with at least a specified weekly wage. Nine States count only weeks in which the claimant earned the required amount of wages. Some other States have minor variations to this basic approach.

(*4*). *Requalifying requirements.*—All States that have a lag between the base period and benefit year place limitations on the use of lag-period wages for the purpose of qualifying for benefits in the second benefit year. The purpose of these special provisions is to prevent benefit entitlement in 2 successive benefit years following a single separation from work; the provisions generally require wages more recent than the lag period, either in addition to or as part of the usual base-period wages requisite to establishing a benefit year. In many States the amount an individual must earn in order to qualify for benefits in a second benefit year is expressed as an amount (from 3 to 10) times the weekly benefit amount. A few States require an individual to earn wages subsequent to the beginning of the individual's preceding benefit year sufficient to meet the minimum qualifying requirement. In addition, some States specify that the wages needed to requalify must be earned in insured work.

Waiting period

The waiting period is a noncompensable period of unemployment in which the worker must have been otherwise eligible for benefits. All except seven States require a waiting period of 1 week of total unemployment before benefits are payable. The waiting period may be waived in Georgia if the claimant is unemployed through no fault of his own and may become compensable in several other States under specific conditions. The waiting-period requirement may be suspended in New York, Pennsylvania and Rhode Island when unemployment results directly from a disaster and the Governor declares the existence of a state of emergency.

Benefit eligibility and disqualification

All State laws provide that, to receive benefits, a claimant must be able to work and must be available for work; i.e., he must be in the labor force, and his unemployment must be caused by lack of work. Also he must be free from disqualification for such acts as voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work. These eligibility and disqualification provisions delineate the risk which the laws cover: the able-and-available tests as positive conditions for the receipt of benefits week by week, and the disqualifications as a negative expression of conditions under which benefits are denied. The purpose of these provisions is to limit payments to workers unemployed primarily as a result of economic causes. The eligibility and disqualification provisions apply only to claimants who meet the qualifying wage and employment requirements.

In all States, claimants who are held ineligible for benefits because of inability to work, unavailability for work, or disqualification are entitled to a notice of determination and an appeal from the determination.

Benefit computation

(*1*). *Weekly benefit amount.*—All States except New York measure unemployment in terms of weeks. The majority of States determine eligibility for unemployment benefits on the basis of the calendar week (Sunday through the following Saturday); the rest pay benefits on the basis of a flexible week, which is a period of 7 consecutive days beginning with the first day for which the claimant becomes eligible for the payment of unemployment benefits. In many States the claims week is adjusted to coincide with the employer's payroll week when a worker files a benefit claim for partial unemployment. The claims week

in New York runs from Monday through the following Sunday. All of the States have agreed, via the Interstate Arrangement for Combining Employment and Wages, to use the type of week used by the agent State in combined-wage claims. In New York, unemployment is measured in days and benefits are paid for each accumulation of "effective days" within a week.

(*2*). *Formulas for computing weekly benefits.*—Under all State laws a weekly benefit amount, that is, the amount payable for a week of total unemployment, varies with the worker's past wages within certain minimum and maximum limits. The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States. In most of the States the formula is designed to compensate for a fraction of the full-time weekly wage; i.e., for a fraction of wage loss, within the limits of minimum and maximum benefit amounts. Several States provide additional allowances for certain types of dependents. Most of the States use a formula which bases benefits on wages in that quarter of the base period in which wages were highest. This calendar quarter has been selected as the period which most nearly reflects full-time work. A worker's weekly benefit rate, intended to represent a certain proportion of average weekly wages in the higher quarter, is computed directly from these wages. In 11 States the fraction of high-quarter wages is 1/26. Between the minimum and maximum benefit amounts, this fraction gives workers with 13 full weeks of employment in the high quarter 50 percent of their full-time wages. Since it has been found that, for many workers, even the quarter of highest earnings includes some unemployment, 17 States have compensated for this by using a fraction greater than 1/26, ranging from 1/25 in 12 States to 1/20 in one.

An additional two States compute the weekly benefit as a percentage of the average weekly wage in the high quarter, i.e., 1/13 of high-quarter wages. Other States use a weighted schedule, which gives a greater proportion of the high-quarter wages to lower-paid workers than to those earning more. In these States the minimum fraction varies from 1/23 to 1/27; the maximum, from 1/15 to 1/24. Several States compute the weekly benefit as a percentage of annual wages. All but one of these use a weighted schedule which gives as weekly benefits a larger proportion of annual wages to the lower-paid workers. Ten States compute the weekly benefit as a percentage of the claimant's average weekly wages in the base period or in a part of the base period.

Duration of benefits

(*1*). *Uniform duration of benefits.*—Nine State laws have uniform duration and allow potential benefits equal to the same multiple of the weekly benefit amount (20 weeks in Puerto Rico, 30 weeks in Pennsylvania, and 26 weeks in the other seven States) to all claimants who meet the qualifying-wage requirement. Some of these States have an annual-wage formula with comparatively high requirements of base-period wages at all but the lower benefit levels. Two States have average-weekly-wage formulas. The other States have a high-quarter formula for determining the weekly benefit amount; they all directly or indirectly require employment in more than one quarter for all—or most—claimants to qualify.

(*2*). *Formulas for variable duration.*—The other State laws provide a maximum potential duration of benefits in a benefit year equal to a multiple of the weekly benefit (20 to 36 weeks of benefits for total unemployment), but have another limitation on annual benefits. In 28 of these States a claimant's bene-

fits are limited to a fraction or percent of base-period wages, if it produces a lesser amount than the specified multiple of the claimant's weekly benefit amount. In several States with an average-weekly-wage formula, maximum potential benefits depend on a fraction of weeks worked. In all but one State in the group, which makes no payments for less than the weekly benefit amount, the maximum potential benefits may be used in weeks of total or partial benefits.

(*3*). *Minimum weeks of benefits.*—In three States with variable duration and a high-quarter benefit formula, a minimum number of weeks duration (10 to 15) is specified in the law. In other States the minimum potential annual benefits result from the minimum qualifying wages and the duration fraction or from a schedule. For any claimant this minimum amount may be transplanted into weeks of total unemployment by dividing the potential annual benefit by the weekly benefit. If the weekly benefit amount for a claimant who barely qualifies for benefits is higher than the statutory minimum weekly benefit (because the qualifying wages are concentrated largely or wholly in the high quarter), the weeks of duration are correspondingly reduced.

(*4*). *Maximum weeks of benefits.*—Maximum weeks of benefits vary from 20 to 36 weeks, most frequently 26 weeks.

In two States, duration may be extended for those claimants who are taking training to increase their employment opportunities, in each case for up to an additional 18 weeks. In another State, benefits under the State's extended benefits program may be paid to claimants during periods of retraining.

(*5*). *Other limits on duration.*—In most States with variable duration, claimants at all benefit levels are subject to the same minimum and maximum weeks of duration. In one State, with an annual-wage formula and variable duration, both weekly benefits and weeks of benefits increase with increments of annual wages; claimants at or near the bottom of the benefit schedule are not eligible for maximum weeks of benefits. Three other States include a limitation on wage credits in computing duration. In one only wages up to 26 times the current maximum weekly benefit amount per quarter count; in another, wages up to $1,950, and in a third, wage credits are limited to 26 times the claimant's weekly benefit amount. This type of provision tends to reduce weeks of benefits for claimants at the higher benefit levels.

(*6*). *Federal-State extended benefits.*—The Federal-State extended benefit program, established by Public Law 91–373 pays up to 13 weeks of extended benefits to workers who have exhausted their regular benefits during periods of high unemployment. This program is described in the following section.

UNITED STATES DEPARTMENT OF LABOR

MANPOWER ADMINISTRATION
UNEMPLOYMENT INSURANCE SERVICE

SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, JANUARY 6, 1974

PREPARED FOR READY REFERENCE. CONSULT THE STATE LAW AND STATE EMPLOYMENT SECURITY AGENCY FOR AUTHORITATIVE INFORMATION

	BENEFITS									COVERAGE	TAXES	
State	Qualifying wage or employment (number x wba or as indicated)[1]	Waiting week[2]	Computation of wba (fraction of hqw or as indicated)[1,3]	Wba for total unemployment[4]		Earnings disregarded[5]	Duration in 52-week period			Size of firm (1 worker in specified time and/or size of payroll[17])	Employer contribution rates for 1973 (percentage of wages[9])	
				Minimum	Maximum		Proportion of wages in base period[6]	Benefit weeks for total unemployment[7] Minimum[8]	Benefit weeks for total unemployment[7] Maximum		Minimum	Maximum
Alabama	1-1/2 x hqw; not less than $525	[2] 0	1/26	$15	[14] $68	$6	1/3	11+	26	20 weeks	[9] 0.5	[9] 2.7
Alaska	$750 with $100 outside HQ	1	2.3-1.1% of annual wages, plus $10 per dep. up to $30	[4] 18-23	[4] 90-120	Greater of $10 or 1/2 basic wba	[6] 34-31%	14	28	Any time	[9] 1.5	[9] 4.0
Arizona	1-1/2 x hqw and $250 in HQ	1	1/25	10	60	$10	1/3	12+	26	20 weeks	0.2	2.9
Arkansas	30; and wages in 2 quarters	1	1/26 up to 66-2/3% of State aww	15	79	2/5	1/3	10	26	10 days	0.3	4.2
California	$750	1	1/24-1/27	25	90	$12	1/2	[7] 12+-15	[7] 26	Over $100 in any quarter	1.7	4.1
Colorado	30	1	60% of 1/13 of claimant's hqw up to 60% of State aww	25	93	1/4 wba	1/3	7+-10	26	20 weeks	0	3.6
Connecticut	40	0	1/26, up to 60% of State aww plus $5 per dep. up to 1/2 wba	15-20	98-147	1/3 wages	3/4	[7] 26	[7] 26	20 weeks	2.7	2.7
Delaware	36	0	1/25	10	85	Greater of $10 or 30% of wba	47%	17	26	20 weeks	1.6	4.5
District of Columbia	1-1/2 x hqw; not less than $450 with $300 in 1 quarter	1	1/23 up to 66-2/3% of State aww plus $1 per dep. up to $3	13-14	[4] 117	2/5 wba	1/2	17+	34	Any time	0.1	2.7
Florida	20 weeks employment at average of $20 or more	1	1/2 of claimant's aww	10	64	$5	1/2 weeks of employment	10	26	20 weeks	0.01	4.5
Georgia	36; with $175 in 1 quarter and wages in 2 quarters	[2] 1	1/25	12	65	$8	1/4	9	26	20 weeks	0.08	3.36

State	BENEFITS: Qualifying wage or employment (number x wba or as indicated)[1]	Waiting week[2]	Computation of wba (fraction of hqw or as indicated)[1,3]	Wba for total unemployment[4]: Minimum	Wba for total unemployment[4]: Maximum	Earnings disregarded[5]	Duration in 52-week period: Proportion of wages in base period[6]	Duration in 52-week period: Benefit weeks for total unemployment[7]: Minimum[8]	Duration in 52-week period: Benefit weeks for total unemployment[7]: Maximum	COVERAGE: Size of firm (1 worker in specified time and/or size of payroll[17])	TAXES: Employer contribution rates for 1973 (percentage of wages[8]): Minimum	TAXES: Employer contribution rates for 1973 (percentage of wages[8]): Maximum
Hawaii	30; and 14 weeks employment	[10] 1	1/25 up to 66-2/3% of State aww	$5	$98	$2	Uniform	[7] 26	[7] 26	Any time[18]	[9] 0.8	[9] 3.0
Idaho	1-1/4 x hqw; not less than $520.01; $416.01 in 1 quarter and wages in 2 quarters	1	1/26 up to 60% of State aww.	17	78	1/2 wba	Weighted schedule of bpw in relation to hqw	10	26	20 weeks or $300 in any quarter	0.9	4.5
Illinois	$800; $225 outside HQ	1	1/20-1/25 up to $60, up to $82-$105 for claimants with 1-4 dep.[3]	10	60-105	$7	[8] 33-52%	10-26	26	20 weeks	0.1	4.0
Indiana	$500; $300 in last 2 quarters	1	1/25 up to $50, up to $75 for claimants with 1-4 dep.[3]	20	50-75	Greater of $3 or 20% of wba from other than base-period employer	1/4	12+-6+	26	20 weeks	0.08	3.1
Iowa	$300; $200 in 1 quarter and $100 in another quarter	[2,10] 1	1/20 up to 55% of State aww	10	75	$6	1/3	10	26	20 weeks	0	4.0
Kansas	30; and wages in 2 quarters	1	1/25 up to 55% of State aww	18	73	$8	1/3	10	26	20 weeks	0.1	3.6
Kentucky	1-3/8 x hqw; with 8 x wba in last 2 quarters and $250 in 1 quarter	0	1/23 up to 50% of State aww	12	70	1/5 wages	1/3	15	26	20 weeks	0.2	3.5
Louisiana	30	[10] 1	1/20-1/25	10	70	1/2 wba	2/5	12	28	20 weeks	0.4	2.7
Maine	$600	[10] 1	1/22 up to 52% of State aww	12	65	$10	1/2-1/3	11+-25	26	20 weeks	1.9	4.5
Maryland	1-1/2 x hqw; $192.01 in 1 quarter and wages in 2 quarters	0	1/24 plus $3 per dep. up to $12	10-13	[4] 78	$10	Uniform	26	26	Any time	0.7	3.6
Massachusetts	$1,200	1	1/2 aww up to 57.5% of State aww, plus $6 per dep. up to 1/2 claiment's wba[3]	19-25	90-135	$10	36%	4+-22+	30	13 weeks	2.1	4.9
Michigan	14 weeks employment at $25.01 or more	[10] 1	63-55% of claimant's aww up to $56 with variable maximum for claimants with dep. up to $92[3]	[4] 16-18	56-92	Up to 1/2 wba[5]	3/4 weeks of employment	11	26	20 weeks or $1,000 in CY	0.8	6.6
Minnesota	18 weeks employment at $30 or more	[10] 1	50% of claimant's aww	15	85	$25	7/10 weeks of employment	13	26	20 weeks[1a]	[9] 0.7	[9] 4.5
Mississippi	36; with $160 in 1 quarter and wages in 2 quarters	1	1/26	10	49	$5	1/3	12	26	20 weeks	0.5	2.7
Missouri	40 x wba and $300 in 1 quarter; wages in 2 quarters	[10] 1	1/25	12	67	$10	1/3	8-13+	26	20 weeks	0	3.6

State	Qualifying wage or employment (number x wba or as indicated)[1]	Waiting week[2]	Computation of wba (fraction of hqw or as indicated)[1,3]	Wba for total unemployment[4]		Earnings disregarded[5]	Duration in 52-week period			Size of firm (1 worker in specified time and/or size of payroll[17])	Employer contribution rates for 1973 (percentage of wages[8])	
							Proportion of wages in base period[6]	Benefit weeks for total unemployment[7]				
				Minimum	Maximum			Minimum[8]	Maximum		Minimum	Maximum
Montana	13 x wba outside HQ	[2] 1	1/26 up to 50% of State aww	12	65	(2)	(6)	13	26	Over $500 in current or preceding year	0.5	3.1
Nebraska	$600; with $200 in each of 2 quarters	1	1/19-1/23	12	68	Up to 1/2 wba[5]	1/3	17	26	20 weeks	0.1	2.7
Nevada	33	0	1/25, up to 50% of State aww	16	80	1/4 wages	1/3	11	26	$225 in any quarter	2.7	2.7
New Hampshire	$600; with $100 in each of 2 quarters	0	2.3-1.2% of annual wages	14	80	1/5 wba	Uniform	26	26	20 weeks	0.075	4.0
New Jersey	17 weeks employment at $15 or more; or $1,350	[10] 1	66-2/3% of claimant's aww up to 50% of State aww	10	85	Greater of $5 or 1/5 wba	Higher of 1/3 bpw or 3/4 weeks of employment	12+	26	$1,000 in any year	[9] 1.2	[9] 5.5
New Mexico	1-1/4 x hqw	1	1/26; not less than 10% nor more than 50% of State aww	14	67	1/5 wba	3/5	18+	30	20 weeks or $450 in current or preceding quarter	0.3	3.3
New York	20 weeks employment at average of $30 or more[11]	[2,12] 1	67-50% of claimant's aww	20	75	(12)	Uniform	26	26	$300 in any quarter	1.2	4.9
North Caroline	$550; wages outside HQ at least 30% of min. of wage bracket that includes claimant's bpw	1	2.0-1.1% of annual wages up to 50% of State aww	12	64	1/2 wba	Uniform	26	26	20 weeks	0.1	4.7
North Dakota	40; and wages in 2 quarters	1	1/26 up to 55% of State aww	15	68	1/2 wba	(6)	18	26	20 weeks	[9] 1.1	[9,13] 4.2
Ohio	20 weeks employment at $20 or more	1	1/2 of claimant's aww plus d.a of $1-$37 based on claimant's aww and number of dep.[3,15]	10-16	77-114	1/5 wba	20 x wba + wba for each credit week in excess of 20	20	26	20 weeks	0.4	4.1
Oklahoma	1-1/2 x hqw, not less than $500 in 0P, $4,200	1	1/26 up to greater of 47.5% of 1970 State aww or $60	16	60	$7	1/3	10+	26	20 weeks	0.4	2.7
Oregon	18 weeks employment at average of $20 or more but not less than $700	1	1.25% of bpw up to 50%[15] of State aww	23	76	1/3 wba	1/3	10+	26	18 weeks or $225 in any quarter	1.2	2.7
Pennsylvania	32 + -36; with $120 in HQ & at least 20% of bpw outside HQ	[2,10] 1	1/21-1/25 up to 60% of State aww plus $5 for 1 dep. and $3 for 2d	12-17	96-104	Greater of $6 or 40% wba	Uniform	30	30	Any time	0.7	4.0

State	BENEFITS: Qualifying wage or employment (number x wba or as indicated)[1]	Waiting week[2]	Computation of wba (fraction of hqw or as indicated)[1,3]	Wba for total unemployment[4]: Minimum	Wba for total unemployment[4]: Maximum	Earnings disregarded[5]	Duration in 52-week period: Proportion of wages in base period[6]	Duration in 52-week period: Benefit weeks for total unemployment[7]: Minimum[8]	Duration in 52-week period: Benefit weeks for total unemployment[7]: Maximum	COVERAGE: Size of firm (1 worker in specified time and/or size of payroll[17])	TAXES: Employer contribution rates for 1973 (percentage of wages[9]): Minimum	TAXES: Employer contribution rates for 1973 (percentage of wages[9]): Maximum
Puerto Rico	21 + -30 but not less than $150; with $50 in 1 quarter and wages in 2 quarters	1	1/15-1/26; up to 60% of State aww	7	50	wba	Uniform	[7] 20	[7] 20	Any time	2.7	3.2
Rhode Island	20 weeks employment at $20 or more; or $1200	[2] 1	55% of claimant's aww up to 60% of State aww, plus $5 per dep. up to $20	12-17	82-102	$5	3/5 weeks of employment	12	26	Any time	2.2	4.0
South Carolina	1-1/2 x hqw, not less than $300 with $180 in 1 quarter	1	1/26 up to 66-2/3% of State aww	10	83	1/4 wba	1/3	10	26	20 weeks	0.25	4.1
South Dakota	$400 in HQ and 10 x wba outside HQ	1	1/22 up to 52%[13] of State aww.	19	59	1/2 wages up to 1/2 wba	1/3	10+	26	20 weeks	0	2.7
Tennessee	36; with $338.01 in 1 quarter	1	1/26	14	62	$5	1/3	12	26	20 weeks	0.3	4.0
Texas	1-1/2 x hqw; not less than $500 or 2/3 FICA tax base.	[10] 1	1/25	15	63	Greater of $5 or 1/4 wba	27%	9	26	20 weeks	0.1	4.0
Utah	19 weeks employment at $20 or more but not less than $700	1	1/26 up to 65% of State aww	10	87	Lesser of $12 or 1/2 wba from other than regular employer	Weighted schedule of bpw in relation to hqw	10-22	36	$140 in CQ in current or preceding CY	1.4	2.7
Vermont	20 weeks employment at $30 or more	1	1/2 of claimant's aww for highest 20 weeks up to 50% of State aww + $9	15	77	$15 plus $3 for each dep. up to $15	Uniform	26	26	20 weeks	0.9	5.0
Virginia	36, and wages in 2 quarters	1	1/25	20	70	Greater of 1/3 wba or $10	1/3	12	26	20 weeks	0.05	2.7
Washington	[16] $1,250	1	1/25 of hqw up to 50% of State aww	17	81	$12	1/3	8+-23+	30	Any time	[9] 3.0	[9] 3.0
West Virginia	$700	[2] 1	1.6-0.8% of annual wages up to 55% of State aww	12	84	$15	Uniform	26	26	20 weeks	0	3.3
Wisconsin	18 weeks employment at average of $44.01 or more[11]	[10] 1	50% of claimant's aww up to 60% of State aww	20	92	Up to 1/2 wba[5]	8/10 weeks of employment	14+	34	20 weeks	0	5.0
Wyoming	20 weeks employment with 20 hours in each week plus $800 in bpw	1	1/25 up to 50% of State aww	10	67	$10	3/10	11-24	26	$500 in current or preceding CY	0.28	2.98

[1] Weekly benefit amount abbreviated in columns and footnotes as wba; base period, BP; base-period wages, bpw; high quarter, HQ; high-quarter wages, hqw; average weekly wage, aww; benefit year, BY; calendar quarter, CQ; calendar year, CY; dependent, dep.; dependents allowances, da.; minimum, min.; maximum, max.

[2] Unless otherwise noted, waiting period is the same for total or partial unemployment. In Ala. waiting period for partial benefits is 1 week; in Iowa 2 weeks; in N.Y. 2-4 weeks; and in W.Va. no waiting period is required for partial unemployment. No partial benefits are paid in Mont. but earnings not exceeding twice the wba and work in excess of 12 hours in any 1 week are disregarded for total unemployment. Waiting period may be suspended if Governor declares State of emergency following disaster, N.Y., Pa., R.I. In Ga. no waiting week if claimant is unemployed through no fault of his own.

[3] When States use a weighted high-quarter, annual-wage, or average weekly-wage formula, approximate fractions or percentages are figured at midpoint of lowest and highest normal wage brackets. When da.'s are provided, the fraction applies to the basic benefit amount. In States noted variable amounts above max. basic benefits limited to claimants with specified number of dep. and earnings in excess of amounts applicable to max. basic benefit. In Ill. and Ind. no da.'s paid to claimants qualified only for basic max. benefit or less. In Mich. and Ohio claimants may be eligible for augmented amount at all benefit levels but benefit amounts above basic max. available only to claimants in family or dependency classes whose aww are higher than that required for max. basic benefit amount. In Mass. for claimant with an aww of $66 or less, computation based on weighted schedule (approximately 1/21-1/26) of hqw.

[4] When 2 amounts are given, higher includes da. Higher for min. wba includes max. allowance for one dep.; Mich. for 1 dep. child or 2 dep. other than a child. In D.C. and Md., same max. with or without dep.

[5] In computing wba for partial unemployment, in States noted full wba is paid if earnings are less than ½ wba; ½ wba if earnings are ½ wba but less than wba.

[6] With the exception of Mont. and N. Dak., States noted have a weighted schedule, with percent of benefits based on bottom of lowest and highest wage brackets. In Mont., duration is 13, 20, and 26 weeks, depending on quarters of employment. In N. Dak., 18, 22, and 26 weeks, depending on amount of BP earnings.

[7] Benefits are extended under State program when unemployment in State reaches specified levels: Calif., Hawaii, by 50%; in Conn. by 13 weeks. In P.R. benefits are extended by 32 weeks in certain industries, occupations or establishments when a special unemployment situation exists. Benefits also may be extended during periods of high unemployment by 50%, up to 13 weeks, under Federal-State Extended Compensation Program.

[8] For claimants with min. qualifying wages and min. wba. When two amounts are shown, range of duration applies to claimants with min. qualifying wages in BP; longer duration applies with the min. wba; the shorter duration applies with max. possible concentration of wages in the HQ, and therefore the highest wba possible for such BP earnings.

[9] Rate represents min. and max. rates assigned to employers during CY 1973. Ala., Alaska, and N.J. also require employee taxes. Contributions required on wages up to $4,200 in all States except Minn. ($4,800); Oreg. ($5,000); Wash. ($6,000); Hawaii ($6,800); and Alaska ($10,000). Wage base in Hawaii and N. Dak. computed annually as percentage of State average annual wage-90% (Hawaii) and 70% (N. Dak.).

[10] Waiting period becomes compensable if claimant is entitled to 12 consecutive weeks of benefits immediately following, Hawaii, 5 consecutive weeks, Iowa; is unemployed for at least 6 weeks and is not disqualified, La.; after 9 consecutive weeks of benefits paid, Mo.; when benefits become payable for third consecutive week following waiting period, N.J. and for fourth consecutive week following waiting period, Maine, after individual has been paid benefits equal to 4 × wba, Pa.; after benefits are paid for 4 weeks, Tex., if reemployed full time after 4 weeks benefits paid, Minn. Claimant laid off more than 3 calendar weeks but reemployed in 13 weeks entitled in BY to 1 additional payment at full weekly rate for last week of unemployment in which he is eligible for benefits (at full or one-half weekly benefit rate) or waiting week credit immediately preceding first acceptance of full-time employment, Mich.; if employed with other than BP employer for at least 4 of first 10 weeks of BY and earns wages of 4 × his wba, Wis.

[11] Or 15 weeks in last year and 40 weeks in last 2 years at aww of $30 or more, N.Y.; or 14 weeks in BP and 55 weeks in those 52 weeks plus any BP which ended not more than 10 weeks before the start of those 52 weeks, Wis.

[12] For N.Y., waiting period is 4 "effective days" accumulated in 1 - 4 weeks; partial benefits are ¼ of wba for each 1 to 3 effective days. "Effective days": the fourth and each subsequent day of total unemployment in a week for which not more than $75 is paid.

[13] 7 percent applicable to employers who elect coverage.

[14] Effective July 1, 1974, $75.

[15] Effective July 1, 1974, 56%, So. Dak.; Sept. 30, 1974, 55%, Oreg.; January 1, 1975, max. wba increased by any percentage increase in State aww, Ohio.

[16] In addition to total wages of $1,250, claimant also must have either (1) 16 weeks of employment with wages of 15% of average wage or (2) 600 hours of employment.

[17] $1,500 in any CQ in current or preceding CY unless otherwise specified.

[18] Also covers employers of 20 or more agricultural workers in 20 weeks, Hawaii; covers 4 agricultural workers in 20 weeks, Minn.

II. Federal-State Extended Benefits

The Federal-State extended benefit program, established by Public Law 91–373, is designed to pay extended benefits to workers during periods of high unemployment. The program is financed equally from Federal and State funds and may become operative either in an individual State or in the entire country. An extended benefits period becomes effective in a State in the third week following the week in which a State or a national "on" indicator is reached and stays effective until the third week following the first week in which both State and national indicators are off, but for not less than 13 weeks.

A national "on" indicator is reached in the calendar week immediately following a 3-consecutive-calendar-month period if in each of the 3 months the rate of insured unemployment (seasonally adjusted) for all States equals or exceeds 4.5 percent. A national "off" indicator is reached in the calendar week immediately following a 3-consecutive-calendar-month period if in each of the 3 months the rate of insured unemployment (seasonally adjusted) for all States is less than 4.5 percent.

A State "on" indicator is reached in the last week of a 13-week period when the rate of insured unemployment (seasonally adjusted) in the State for such period (a) equals or exceeds 120 percent of the average of such rates for the corresponding periods in each of the preceding 2 calendar years, and (b) is not less than 4 percent. However, no extended benefit period may begin by reason of a State "on" indicator (unless there is also a national "on" indicator) before the fourteenth week after the close of a prior extended benefit period in that State. A State "off" indicator is reached in the last week of the specified 13-week period when the rate of insured unemployment (not seasonally adjusted) in the State for such period either (a) falls below 120 percent of the average of such rates for the corresponding period in each of the preceding 2 calendar years, or (b) is less than 4 percent.

Within certain requirements, extended benefits are payable at the same rate as the claimant's weekly benefit amount under the State law, and eligibility for extended benefits is determined in accordance with State law. A claimant may receive extended benefits for up to one-half of the number of weeks of entitlement to regular benefits, but for not more than 13 weeks. There is an overall limitation of 39 weeks on regular and extended benefits combined.

Under Federal law, States were required to adopt legislation, effective no later than January 1972, providing for payment of extended benefits. The national indicators were also effective January 1972, at the earliest. However, States were permitted to enact laws with earlier effective dates for State "on" and "off" indicators.

As a result, five States began payment of extended benefits during October 1970, and by March 1971, 20 States were paying benefits. During the months of 1971, from 13 to 20 States were in extended benefit status.

The insured unemployment rates (IUR) for September, October, and November 1971 were 4.85 percent, 4.85 percent, and 4.74 percent, respectively, and accordingly the national "on" indicator was effective on January 1, 1972, and all States paid extended benefits during the first three months of the year.[4] A large number of States continued to pay extended compensation for several months as a result of State "on" indicators, but by mid-year several States

[4] There was a delay in the enactment of the Kentucky legislation, so that 52 States paid benefits only in the month of March 1972.

with continuing high levels of unemployment no longer met the requirement of, 120 percent of past experience and payments in these States ceased.

On October 27, 1972, the Federal act was amended by Public Law 92–599, suspeding the requirement of 120 percent for the first time by permitting States to ignore the 120 percent "off" indicators if authorized by State law. This measure expired July 1, 1973.

On July 1, 1973, by Public Law 93–53, the Act was again amended. States were permitted to ignore the 120 percent factor, if State law permits, and to use a 4.5 percent "on" and a 4.0 percent "off" indicator. This amendment, which expired on December 31, 1973, provided that claimants in compensable status might continue to receive benefits for the number of weeks for which they were still eligible until the thirteenth week thereafter.

A similar amendment (Public Law 93–233) was adopted December 31, 1973, effective until April 1, 1974. This legislation permits, if State law allows, States to ignore the 120 percent factor for both "on" and "off" indicators. On March 28, 1974, under Public Law 93–256, the terminal date for the amendment was extended to July 1, 1974.

EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1971

The Emergency Unemployment Compensation Act of 1971, title II of Public Law 92–224, provided for a temporary program of compensation, paid as a third tier of protection for workers in States with higher unemployment rates than required under the extended benefit program, provided the State entered into an agreement with the Secretary to participate in the program.

Compensation under the Act was payable, in a State having an agreement with the Secretary of Labor and experiencing the required unemployment levels, for weeks of unemployment beginning after January 29, 1972, or after the week in which the agreement was entered into, if later. Once triggered, the emergency benefit period (the period during which emergency compensation could be paid in the State) remained in effect for at least 26 weeks. After those 26 weeks had ended, no benefits were payable for any week unless the State had the required "rate of unemployment."

Compensation was payable in a State, when the "rate of unemployment" for a 13-consecutive-week period was at least 6.5 percent. The rate was derived by adding the State's insured unemployment rate computed under the Federal-State Extended Unemployment Compensation Program and an exhaustion rate equal to one-quarter of the exhaustions of regular benefits in the most recent 12 completed calendar months.

To be eligible for compensation under the Emergency Unemployment Compensation Act, an individual was required to have exhausted all rights to regular unemployment insurance benefits and to extended benefits if they were payable. Eligible individuals were entitled potentially to benefits for up to one-half of the number of weeks of their total regular benefit entitlement, but not more than 13 weeks. The weekly benefit amount was the same as for State regular and Federal-State extended compensation.

Benefits for individuals entitled to emergency compensation for at least one week ending before July 1, 1972, could continue until he had exhausted his rights to benefits. As a result, no benefits were payable for weeks ending after September 30, 1972.

Public Law 92–329 extended both of those dates by six months. As a result, no new beneficiaries could come into the program after December 30, 1972, and no benefits were payable for weeks ending after March 31, 1973.

III. Legislation Providing Special Unemployment Assistance for Special Groups

Two programs of special unemployment assistance outside the Federal-State unemployment insurance system are or have been in operation since 1962 under legislation enacted by the Congress. These programs are trade readjustment allowances, under the Trade Expansion Act of 1962, and disaster unemployment assistance, authorized by the Disaster Unemployment Act of 1970. Both these programs have been administered by the Federal-State unemployment insurance system and coordinated, to the degree possible, with the Federal-State unemployment insurance program.

Within the last two years or so, legislation providing special assistance for special groups has been approved by one or more Houses of Congress in at least three instances. The first of these was a 1972 amendment to the Public Works and Economic Development Act of 1965, providing adjustment assistance to workers unemployed as a result of anti-pollution legislation. The second was the Surface Mining Reclamation Act of 1973, providing unemployment assistance to unemployed workers whose unemployment is caused by administration and enforcement of the Act. The third bill was the National Energy Emergency Act of 1973, which would provide unemployment assistance to workers who are unemployed because of the administration and enforcement of this measure to deal with the national energy crisis.

There have been, in addition, a number of bills introduced into the Congress and presently pending. Some of these are updated versions of legislation already mentioned.

Summarized briefly below are the provisions of statutes and bills, which have passed either House, providing special benefits to special groups.

PROGRAMS WHICH HAVE BEEN OR ARE BEING ADMINISTERED UNDER STATUTORY AUTHORIZATION

1. Trade legislation

a. *Trade Expansion Act of 1962*, which originated in the Ways and Means Committee, provided adjustment assistance to workers adversely affected by national trade policies. A qualified worker could receive the lesser of 65 percent of his own average weekly wage, or 65 percent of the average manufacturing wage, for a maximum duration of 52 weeks, or more if he was in approved training or was age 60 years or older. Placement, testing, counseling, and relocation assistance was provided. The program was administered by the State agencies under agreements with the Secretary of Labor and coordinated as closely as possible with the State programs, taking care to protect the rights of individual workers to unemployment compensation.

b. *Trade Reform Act of 1973* (H.R. 10710) originated in the Ways and Means Committee. It developed from extensive hearings on an Administration proposal for adjustment assistance to workers adversely affected by trade policies. It changes weekly amounts of worker adjustment assistance from those

now available as described in (a) above. The worker would receive the lesser of 70 percent of his own average weekly wage or the national average manufacturing wage for the first 26 weeks. He would receive the lesser of 65 percent of his own average weekly wage, or the average weekly manufacturing wage, for the second 26 weeks. There would be a maximum duration of 52 weeks, but additional weeks would be allowed if the qualified worker is in approved training or is age 60 years or older. Training, job search and relocation assistance are provided.

2. The Disaster Relief Act of 1970

(P.L. 91-606, approved December 31, 1970) which originated in the Senate was considered by the Committees on Public Works in both Houses of the Congress. Sec. 240 of the act is a two-sentence paragraph which provides very general language authorizing the President to provide to any individual unemployed as a result of a major disaster, such assistance as he deems appropriate while such individual is unemployed. Sec. 240 limits amount and duration of payments to that of the unemployment compensation program in the State in which the disaster occurred. Sec. 240 further provides for reduction of such assistance by any amount of unemployment compensation or of "private income protection insurance compensation [sic] available to such individual for such period of unemployment."

The Disaster Unemployment Assistance program has been administered by the Federal-State unemployment insurance system under a delegation from the Office of Emergency Preparedness in the past and now from the Department of Housing and Urban Development. The State agencies pay benefits during major disasters, as designated by the President, under agreements with the Secretary of Labor and in accordance with regulations of the Secretary of Labor.

LEGISLATION WHICH PASSED ONE OR MORE HOUSES OF CONGRESS

1. *The Public Works and Economic Development Act Amendments of 1972* (H.R. 16071) which added a new *Title VIII Environmental Effects* to the 1965 law, was approved in October 1972 by both Houses of the Congress after consideration by the Public Works Committee in each House. The bill was vetoed by the President because of the Title VIII provisions.

Section 801 of the bill provided, for a worker with 26 weeks of employment in the 78 weeks preceding his unemployment in the affected plant or industry, unemployment compensation until the worker was (1) no longer unemployed, (2) retired from the labor force, or (3) used up 78 weeks of unemployment compensation. The weekly amount would be the greater of 60 percent of his former weekly wage or the highest weekly amount payable under the unemployment compensation law of the State in which his employment loss occurred, subject to an overall maximum which is the highest amount payable under any State or Federal unemployment compensation law (other than sec. 801 of the Public Works and Economic Development Act). H.R. 16071 thus would have created another special unemployment compensation system for workers displaced by an Environmental Protection Agency order or standard.

2. *Surface Mining Reclamation Act of 1973* (S. 425) providing for regulation of surface mining operations, was approved by the Senate October 9, 1973, after consideration by the Senate Committee on Interior and Insular Affairs. Sec. 617(a) authorizes and directs the President to make grants to provide

unemployment assistance to any unemployed individual whose "unemployment resulted from the administration and enforcement of this act and was in no way due to the fault of such individual." The provision is patterned in a general way on sec. 240 of the Disaster Relief Act. Sec. 617(a) provides that such assistance shall be available to individuals not otherwise eligible for unemployment compensation or who have exhausted their eligibility.

Availability of such assistance is to continue "as long as unemployment in the area caused by such administration and enforcement continues (but not less than six months) or until the individual is reemployed in a suitable position, but not longer than two years after the individual becomes eligible for such assistance." Subsection (a) provides finally that "such assistance shall not exceed the maximum weekly amount under the unemployment compensation program of the State in which employment loss occurred and shall be reduced by an amount of private income protection insurance compensation available to such individual for such period of unemployment."

Subsection (d) authorizes the Secretary of Labor to provide reemployment assistance services under other laws of the United States to any such individual so unemployed, including relocation assistance to individuals unable to find reemployment in a suitable position within a reasonable distance from home.

3. *The Energy Emergency Act* (S. 2589) as passed by the Senate contained a section (added by amendment on the Senate floor) which provided for a program of unemployment assistance for workers whose unemployment was attributable to anticipated energy shortages. The language (Sec. 501(a) of S. 2539) was virtually identical with that of Sec. 617(a) of S. 425, the Surface Mining Reclamation Act of 1973. The House-passed version of the Energy Emergency Act included provisions (Sec. 122) very similar to those adopted in the Senate. Section 116 of the Conference substitute S. 2589 was the same as the House version, except that the House authorization of appropriations was deleted and a more limited authorization substituted.

The Conference version of S. 2589 was passed by both Houses of Congress but was vetoed by President Nixon March 6, 1974.

Subsequently, new legislation (S. 3267 and H.R. 13834) was introduced containing revised provisions which would provide benefits generally similar to those which would have been provided under the vetoed bill.

The revised legislation would provide benefits to persons unemployed as a result of energy shortages and not otherwise eligible for unemployment benefits during the period after enactment and up to July 1, 1975. Eligibility would be provided to individuals who had either exhausted all their rights to regular or extended unemployment benefits or who did not qualify for such benefits (including persons whose employment is not covered under the unemployment insurance program) if their unemployment was clearly attributable to "disruptions, dislocation or shortages [of energy supplies], fuel allocations, fuel pricing, consumer buying decisions influenced by such disruptions, dislocations or shortages, and governmental action associated with the disruptions, dislocations or shortages." In making determinations of eligibility, States would use industry, business, or employer certification procedures as the Secretary of Labor directs for the purpose of minimizing costs and administrative problems which might otherwise cause delays in making payments. The disqualification rules of the State unemployment insurance program would apply to benefits under this bill. By regulation, the Secretary of Labor could limit eligibility to persons with at least one month of employment in the prior year.

The amount of benefits payable to an individual would be equal to the amount of weekly unemployment compensation for which he was most recently eligible. If the individual was not previously eligible for unemployment compensation, the amount of the benefit would be set by the State taking into account the benefit amounts provided under its unemployment program and would, in any case, have to be within the minimum and maximum levels applicable under the State program.

Benefits under this bill would be payable without limitation as to the number of weeks with respect to which an individual could be paid but the program would end on July 1, 1975. All of the cost of benefits under this bill would be paid from Federal general revenues.

IV. Letter of the Secretary of Labor Transmitting Draft Legislation Entitled "Job Security Assistance Act," With Enclosures

U.S. Department of Labor,
Office of the Secretary,
Washington, D.C., February 13, 1974.

Hon. Carl Albert,
Speaker of the House of Representatives,
Washington, D.C.

Dear Mr. Speaker: On May 7, 1973, I transmitted to the Congress draft legislation entitled the "Job Security Assistance Act," which the President first proposed in his April 12, 1973, message on unemployment insurance. Since submission of the bill, the Administration has urged that prompt action be taken looking towards the enactment of needed improvements in the Federal-State unemployment insurance system.

Today I am resubmitting the Administration's 1973 proposal, with an additional title providing a temporary program of supplementary unemployment compensation protection for workers adversely affected by economic conditions over the near term. The Administration's 1973 proposal, which is Title I of the new bill, has been revised to postpone the effective dates of the provisions extending coverage to farm workers and establishing Federal minimum benefit amount standards from 1975 to 1976. The earlier dates had anticipated the possibility of enactment during 1973. The Department of Labor estimates that, with an insured unemployment rate of 2.6 percent, a level that may reasonably be anticipated in the period when these provisions in Title I would become fully effective, the benefit amount standard would result in added annual outlays from State accounts in the Federal Unemployment Trust Fund of $730 million, and the extension of coverage to farm workers would add outlays of $100 million annually.

The proposed new title, the "Special Unemployment Compensation Act of 1974", would be a far more effective means of meeting the problems of workers harmed by the energy shortage than the special legislation that the Congress is now considering. It is intended as an alternative to such legislation. The Department of Labor estimates that the temporary program provided for in Title II would result in a total benefit outlay from general revenue of from six-hundred million to one-billion dollars.

I urge your prompt and favorable consideration of this important measure.

The Office of Management and Budget advises that there is no objection to the submission of this draft legislation and that its enactment would be in accord with the program of the President.

Sincerely,

Peter J. Brennan,
Secretary of Labor.

Enclosures.

EXPLANATION AND JUSTIFICATION OF "JOB SECURITY ASSISTANCE ACT OF 1974"

Introduction

The Federal-State unemployment insurance program is designed to protect workers during periods of unemployment between jobs. The bill would strengthen the program by --

* extending its protection to farm workers

* assuring that the program's weekly benefit amounts are a sufficient percentage of lost weekly wages to sustain the individual worker

* maintaining neutrality in industrial disputes.

The program is also designed to protect the economy by maintaining spendable income. It automatically pays out more money as unemployment increases, thus sustaining purchasing power when it is most important to do so. It thereby acts as a stabilizing force in the economy, helping to prevent an economic downturn from gathering momentum and forcing further declines in consumer purchasing power. The benefits were counter-cyclical in effect and helped to prevent unemployment from spreading and lasting longer. In Fiscal Year 1973, $4.9 billion was paid out in unemployment benefits to 5.8 million workers.

The system has been an outstanding example of Federal and State cooperation. Federal tax incentives are relied upon to encourage the States to inaugurate unemployment insurance systems. Each State administers its own program with State employees. The bill would not change the character of the program or the basic relationship between the Federal Government and the States. Like the original requirements, and those which were added in 1970, the new requirements would permit States wide latitude in shaping and administering their programs.

In addition to making important improvements in the Federal-State unemployment insurance system, the bill would establish a temporary Federally financed program to provide supplementary unemployment compensation protection for workers adversely affected by near-term economic conditions.

Coverage of Employment in Agriculture

The bill would extend coverage to a substantial group of workers -- those employed in agricultural businesses. Farm workers were excluded from the definition of employment in the original Federal law in 1935 on the ground that it was not administratively feasible to apply the Federal tax to many thousands of family-operated, subsistence farms which kept no payroll records. The extension to agricultural enterprises of income and Social Security taxes, and the extension to farm workers of OASDHI and income tax withholding, on an even broader basis than would be the case under the recommended proposal, have removed lack of administrative feasibility as a valid objection to discontinuing the original exclusion.

The bill would apply the Federal unemployment tax to farm employers who, during the current or preceding calendar year, (a) employed four or more workers in each of 20 weeks or (b) paid $5,000 in wages in a calendar quarter. This would affect only about 7 percent of all farm employers when the bill becomes effective in 1976 but would achieve coverage for about two-thirds of all farm workers. That is, it would cover about 66,000 farms and about 635,000 farm workers.

The proposal to cover employment on farms employing four or more workers in 20 weeks in a year, or paying wages of $5,000 in a calendar quarter, places emphasis on large scale, industrial-type farm operations. This "four or more" size-of-farm criterion would achieve coverage of a substantial majority of farm workers while adding to the State's volume of contributing employers only a relatively small percentage of farm employers -- those operating large-scale, agricultural businesses.

For a large number of businesses engaged in agriculture, the proposed extension of coverage to that industry will not be their first experience with unemployment insurance. Many of these firms are already covered under the Federal Unemployment Tax Act, and under State unemployment insurance laws because of their substantial nonfarm employment. For them, payrolls and workers attributable to the agricultural activities of the firm, now segregated to take advantage of the present exclusion of such activities, would no longer be segregated; these payrolls would be subject to the Federal tax and State contributions, the workers would receive the same "credit" for their employment as other workers for the firm receive, and the unemployment experience of all its workers (farm and nonfarm) would be reflected in the firm's experience rating.

A recently completed study sponsored by the Department of Labor's Manpower Administration transmitted to the Congress as required by the 1970 Amendments, indicates that the proposed extension of coverage is feasible at this time.

The study indicates that providing unemployment insurance benefits to eligible farm workers who become involuntarily unemployed would have little or no impact on overall unemployment insurance cost rates in the 18 States surveyed. In two States -- California and Florida -- the inclusion of farm workers in the unemployment insurance program would increase the overall benefit cost rates of the program to a small degree.

The bill also continues the exclusion from coverage of foreign workers imported to work in agriculture in peak periods under the provisions of section 214(c) and 101(a)(15)(H) of the Immigration and Nationality Act. There are approximately 10,000 - 13,000 of them each year, most of them employed in Florida. The workers are returned to their country of origin as soon as their work has been completed, and they rarely, if ever, would qualify for or receive unemployment benefits. Taxing their wages would substantially increase the wage costs of employers who utilize this type of short-term help without contributing anything to the welfare of farm workers or the economy of the area in which they are employed.

The bill also provides that farm operators who employ workers through "crew leaders" or other types of labor contractors will be responsible for recordkeeping and tax payments for unemployment insurance purposes. The crew leader himself would not be considered an employee of the farm operator for these purposes unless he was also an employee under the usual common law rules applicable in determining employer-employee relationships. An exception to the "crew leader provision" would be provided in the case of individuals furnished to a farm operator pursuant to a contract to perform "custom work" such as in the case of crop dusting or grain harvesting or threshing.

The extension of the Federal unemployment tax under the bill would be effective with respect to remuneration paid after December 31, 1975, for services performed after that date. The effective date affords time for State legislatures to provide for coverage of agriculture in their State laws.

Benefit Amount Standard

To the several requirements for approval of State laws (and for the continued receipt of full tax credit by a State's employers), the bill would add an adequacy requirement with respect to the weekly benefit amounts furnished under State law.

The purpose of the benefit amount requirements is to assure that the unemployment insurance system provides adequate benefits to the workers whom it insures and provides the Nation with reasonably full protection against reduction in consumer purchasing power resulting from wage losses attributable to unemployment.

The Federal-State unemployment insurance system has not been as effective as it could be, either as a device for restoring individual wage losses or for restoring lost purchasing power to the economy, in large part because its benefit levels have lagged behind wage levels. More than half of all beneficiaries in 1970 and 1971 received the State maximum rather than a benefit equal to 50 percent of their average weekly wage. Even in Fiscal Year 1973, when the "claimant mix" included fewer high-paid and more low-paid workers, almost two-fifths (38.7%) of them found themselves cut off by and and prevented from receiving "half-pay by State maximums.

Benefit adequacy was heretofore left entirely to State initiative. In his July 8, 1969, message to Congress, President Nixon said:

> "Up to now, the responsibility for determining benefit amounts has been the responsibility of the States. There are advantages in States having that freedom. However, the overriding consideration is that the objective of adequate benefits be achieved. I call upon the States to act within the next two years to meet this goal, thereby averting the need for Federal action."

The goal referred to by the President was a guarantee that at least 80 percent of insured workers would receive at least 50 percent of their average weekly wages when they are unemployed. To reach this goal, the President pointed out, would require that the ceiling on benefits, or maximum weekly benefit amount, in State laws would have to be at least two-thirds of the average weekly wage of covered workers in the State.

The principle that wage loss restoration for an individual worker should be at least 50 percent of his average weekly wage has been generally observed by State laws. All State laws have maximums, or ceilings, on individual weekly benefit amounts, however, which are intended to prevent and which do prevent certain workers from receiving the full "half-pay" guarantee.

Since the President's July 8, 1969 message, an intensive campaign was conducted to persuade States to increase maximum weekly benefit amounts to meet the President's goal.

In the more than 4 years subsequent to July 8, 1969, these efforts have had some effect. While all States provided for some increase in the State benefit maximum. It is clear that the standards set forth by the President have not yet been substantially met. Since July 8, 1969:

> . . . The number of States with benefit maximums of 60 percent or more of the statewide average weekly wage increased from three to twelve States (including the District of Columbia and Puerto Rico). <u>However, only 16.7 percent of total employment covered under State UI laws is in these twelve States.</u>
>
> . . . The number of States with basic maximums of 50 to 59 percent of the State's average wage in covered employment increased from 18 to 25 States. <u>The 25 States account, however, for only 36 percent of 1971 covered employment</u>.
>
> . . . The number of States with benefit maximums of less than 50 percent of the statewide average wage of covered workers was reduced from 31 to 15. Such States now represent 47.3 percent of 1971 covered employment, as compared to 78.9 percent in 1969. <u>Thus, almost half the Nation's covered work force is in States where no individual earning average wages or higher, or even significantly less than average wages, can receive a weekly benefit equal to 50 percent of his average weekly wage</u>.
>
> . . . The number of States which adopted the President's recommended maximum increased from one in 1969 to four in 1973, with a fifth State adopting a close approximation of it (65 percent of the State's average wage of covered workers). <u>However, these five States together account for only 3.7 percent of the Nation's covered work force</u>.

It has become evident that the goal for State maximums can only be achieved if the States adopt it simultaneously as the result of a Federal requirement for the approval of State unemployment insurance laws and for the continued receipt by a State's employers of credit against the Federal unemployment tax.

The present bill would add a new requirement that State laws provide an eligible individual with a weekly benefit amount equal to at least 50 percent of his average weekly wage up to a State maximum which is at least 66-2/3 percent of the average wage of covered workers in the State.

Enactment of the bill's requirements as to individual and maximum weekly benefit amounts would leave the States wide latitude in other features of their State laws, and, with respect to benefit formulas, to adopt whatever improvements they wished above the basic minimums.

The deficiencies in the benefit amounts provided under State laws have led to proposals in Congress to provide new and special programs, with higher benefit amounts, to meet conditions which arise when certain groups of workers become unemployed. A better approach is improvement of the present system.

Labor Disputes

It is fundamental to unemployment insurance that benefits should be payable for unemployment that is involuntary and not payable for unemployment that is voluntary and unjustified. It is equally essential that unemployment insurance preserve its neutrality in labor disputes.

The bill builds upon these principles. It provides that unemployment benefits not be paid to any person who the State finds is a striker under the law of that State. It further provides that unemployment benefits must be paid to otherwise eligible individuals who are unemployed as a result of a labor dispute and who the State finds are innocent bystanders under the law of that State.

The bill would thus establish sound and fair principles governing the payment of benefits to those unemployed as a result of a labor dispute and affords the State wide latitude in the interpretation and application of these principles.

Revenue to Repay Advances for Emergency Unemployment Compensation

The Emergency Unemployment Compensation Act of 1971 (P.L. 92-224, Title II) authorized additional unemployment benefits for up to 13 weeks for individuals who exhausted their rights to both regular and extended unemployment benefits. Eligibility under this program was to expire on June 30, 1972.

The Act provided that the additional compensation was to be paid out of the extended unemployment compensation account. Since that account did not have sufficient funds, the Act also provided for repayable advances from the Treasury, to be repaid when funds in the account are adequate.

In June of 1972, the Congress extended eligibility under the emergency unemployment compensation program for six months through December 31, 1972 (P.L. 92-329).

At that time, the Federal unemployment tax was increased from 3.2 percent of wages to 3.28 percent to pay the cost of the extension of the program. Sections 905(b)(1) of the Social Security Act and 6157 of the Internal Revenue Code were also amended. Section 6157 of the Internal Revenue Code provides for the payment of the Federal unemployment tax on a quarterly or other time period basis. The net rate in section 6157 was increased from 0.5 percent to 0.58 percent. The employment security administration account is the initial repository of Federal unemployment tax receipts. Section 905(b)(1) provides for the transfer of a specified fraction of those receipts to the extended unemployment compensation account. Funds in that account were used for both the extended and emergency unemployment compensation programs. P.L. 92-329 increased that fraction (from 1/10 to 13/58) to reflect the increased tax and provide additional funds for the extended unemployment compensation account.

However, as noted above, the revenue from the increased tax was only sufficient to pay the costs of the 6-month extension of the emergency program. The cost of the program before

extended account will be adequate to repay advances and the special method of repayment is not necessary. Section 105(b) of the bill changes the reference to the Emergency Unemployment Compensation Act from section 903(b)(3) to section 905(d) of the Social Security Act. Advances which have been made out of general revenue for the emergency program will therefore be paid back in the same manner as advances for the extended compensation program. If any excess results from continuing the increased tax, it will remain in the extended unemployment compensation account.

Change in Method of Allocating UCFE-UCX Benefit Costs

The bill proposes a revision in section 8505(a) of Title 5 of the United States Code which now specifies that Federal reimbursements to State funds for benefits paid to the ex-servicemen and former Federal employees be determined by the "additional cost" method of computation. The bill would substitute the "pro rata" method of computing reimbursement amounts.

Most ex-servicemen and former Federal employees claim unemployment insurance benefits solely on the basis of their Federal service and Federal wages; they have no other base period employment. In such cases, the Federal Government must reimburse the States for 100 percent of the benefits paid under any method of computation. A study indicates that in fiscal year 1971, of the total Federal expenditure of $401,289,201 for UCFE-UCX benefits, $394,912,887, or 98.37 percent, was expended for this type of case.

The proposed change from the "additional cost" method to the "pro rata" method of computation, therefore, would apply only to the small minority of cases in which the base period of individuals included both Federal wages and service and wages and employment subject to the State laws. The study revealed that the Federal Government's "share" of the benefit costs for this type of case in the fiscal year 1971, computed on the "additional cost" method, was $6,529,215, or 1.63 percent of total Federal expenditures.

The "additional cost" method of computing Federal reimbursements is cumbersome, difficult to apply, complicated to operate, and expensive to administer. While only a small number of cases is involved, so long as the Federal Government was virtually the only "reimbursing" employer, the complications arising from the use of the "added cost" method could nevertheless be overcome. With the addition to the unemployment insurance system (as the result of the enactment of P.L. 91-373, August 10, 1970) of large numbers of other reimbursing employers (nonprofit organizations, State government agencies,

etc.), and with the introduction of a mandatory wage combining arrangement among States (also as a result of the enactment of P.L. 91-373), the use of the "added cost" method of computation has become increasingly complicated and difficult to apply. For the most part, States found it necessary to use the "pro rata" method for reimbursing employers other than the Federal Government, and Federal regulations require that the "pro rata" method be used in cases of wage combining among States. For UCFE-UCX cases, the proration of costs, on a percentage basis, is administratively preferable, equally equitable for both the Federal Government and State unemployment insurance funds, and its use would make little difference in the ultimate distribution of benefit costs.

A survey and analysis of UCFE-UCX cases with benefit years ending in fiscal 1971, and a comparison of the application of both methods of computation to each case, indicated a difference of only 65/100 of one percent.

Inasmuch as the complications and administrative expenses attributable to the use of the "added cost" method are out of proportion to any advantage derived therefrom, the bill proposes to revise section 8505(a) of Title 5 of the United States Code to provide for prorating the costs of benefits paid to ex-servicemen and ex-Federal employees. The Federal Government would reimburse the States with respect to each UCFE-UCX claimant an amount which shall bear the same ratio to the total amount of benefits paid as the amount of his Federal wages in the base period bears to the total amount of his base period wages, computed to the nearest percentage point.

Special Unemployment Compensation Program

Title II of the bill, the "Special Unemployment Compensation Act of 1974," would augment existing unemployment compensation programs by providing up to 13 additional weeks of Federally financed benefits to those who worked in areas experiencing high unemployment and who exhausted benefits under the unemployment compensation laws, including the present Federal-State Extended Benefits program. Workers in these areas would receive the additional benefits because it is likely that they would encounter problems in finding another suitable job. The legislation would also provide up to 26 weeks of benefits to workers in such areas who were ineligible for normal benefits because they worked in industries not now covered by unemployment compensation laws.

The proposal is based on the reasonable assumption that if insured unemployment in an area is as at high level, 4.5 percent, or is at a somewhat lower level, 4.0 percent, but has risen significantly (20 percent or more) over the comparable period during the year October 1972 through September 1973, unemployed persons in that area will have special difficulties in locating new jobs.

Key aspects of the program would be governed by the provisions of the applicable State unemployment compensation law.

Payments would be made to workers who exhausted their normal benefits after October 1, 1973, and to workers ineligible for normal benefits who lost their jobs after that date. An individual would receive benefits if his last place of employment was in an area that triggered "on"

Once the special program triggered "on", it would continue for a minimum period of 13 weeks, and persons who qualified for special benefits in that period would continue to be eligible for benefits for up to 26 weeks after the end of the period, or until they exhausted their special benefits. The program would be effective 30 days after enactment and would terminate June 30, 1975.

A B I L L

To extend and improve the Nation's unemployment compensation programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Job Security Assistance Act of 1974."

TITLE I--UNEMPLOYMENT COMPENSATION AMENDMENTS

Benefit Amount Standard

SEC. 101. Section 3304(a) of the Internal Revenue Code of 1954 is amended by redesignating paragraph (13) as paragraph (15) and by inserting after paragraph (12) the following new paragraph:

"(13) With respect to benefit years beginning on or after July 1, 1976 --

"(A) the weekly benefit amount of any eligible individual for a week of total unemployment shall be:

(i) an amount equal to at least one-half of such individual's average weekly wage as determined by the State agency; or

(ii) the maximum weekly benefit amount payable under such State law, whichever is the lesser.

Any weekly benefit amount payable under such State law may be rounded to an even dollar amount in accordance with the provisions of such State law;

"(B) the State maximum weekly benefit amount shall be no less than 66-2/3 percent of the Statewide average weekly wage most recently computed before the beginning of the individual's benefit year;

"(C) For the purposes of this paragraph --

(i) 'benefit year' means a period as defined in State law except that it shall not exceed one year beginning subsequent to the end of an individual's base period.

(ii) 'base period' means a period as defined in State law except that it shall be fifty-two consecutive weeks, one year, or four calendar quarters ending not earlier than six months prior to the beginning of an individual's benefit year.

(iii) 'individual's average weekly wage' means: (I) in a State which computes individual weekly benefit amounts on the basis of high quarter wages, an amount equal to one-thirteenth of an individual's high quarter wages; or (II) in any other State, an amount computed by dividing the total amount of wages (irrespective of the limitation on the amount of wages subject to contribution under the State law) paid to such individual during his base period by the number of weeks in which he performs services in employment

covered under such law during such period.

"(iv) 'high quarter wages' means the amount of wages for services performed in employment covered under the State law paid to an individual in that quarter of his base period in which such wages were highest, irrespective of the limitation on the amount of wages subject to contributions under such State law.

"(v) 'Statewide average weekly wage' means the amount computed by the State agency at least once each year on the basis of the aggregate amount of wages, irrespective of the limitation on the amount of wages subject to contributions under such State law, reported by employers as paid for services covered under such State law during the first four of the last six completed calendar quarters prior to the effective date of the computation, divided by a figure representing fifty-two times the twelve-month average of the number of employees in the pay period containing the twelfth day of each month during the same four calendar quarters, as reported by such employers."

Payment Of Benefits in Labor Disputes

SEC. 102(a) Section 3304(a) of the Internal Revenue Code of 1954 is further amended by adding after the paragraph added by section 2 of this Act the following paragraph (14).

"(14) Compensation shall not be paid to any person who the State finds is a striker under the law of that State. Compensation shall not be denied to any other person otherwise eligible who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State."

(b) The amendments made by subsection (a) shall be effective July 1, 1976.

Coverage of Agricultural Employment

SEC. 103. (a) Section 3306(b) of the Internal Revenue Code of 1954, as amended, is further amended by deleting the period at the end of paragraph (10) and substituting therefor "; or" and by adding the following new paragraph (11):

"(11) remuneration paid in any medium other than cash for agricultural labor."

(b) Section 3306(c)(1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(c)(1) agricultural labor (as defined in subsection (k) unless performed for an employer who --

(A) during any calendar quarter in the calendar year or the preceding calendar year paid remuneration in cash of $5,000 or more to individuals employed in agricultural labor, or

(B) on each of some 20 days during the calendar year or preceding calendar year, each day being in a different calendar week, employed in agricultural labor for some portion of the day (whether or not at the same moment of time) four or more individuals; excluding, however, for the purpose of subparagraphs (A) and (B) agricultural labor performed by any individual who is an alien admitted to the United States to perform agricultural labor pursuant to sections 214(c) and 101(a)(15)(H) of the Immigration and Nationality Act;"

(c) The amendment made by this section shall apply with respect to remuneration paid after December 31, 1975, for services performed after such date.

Labor Contractors

SEC. 104. (a) The Internal Revenue Code of 1954 is amended by redesignating section 3311 as 3312 and by inserting a new section 3311 as follows:

"SEC. 3311. (a) Notwithstanding any other provision of this chapter, any person to whom individuals are furnished by a crew leader or other labor contractor to perform agricultural labor shall keep all records required for the purpose of this chapter with respect to the agricultural labor performed for him by such individuals and the remuneration paid therefor and shall pay the taxes required by this chapter as if he employed such individuals, except that he shall not be required to keep such records or pay such taxes for individuals furnished to him pursuant to a contract to perform "custom work" which includes the furnishing of equipment as well as labor as, for example, in the case of crop dusting or grain harvesting and threshing.

(b) Whether a crew leader or labor contractor, who furnishes individuals to perform agricultural labor for another person or who performs services for such other person as a member of a crew, shall be deemed to be an employee of such person for the purposes of this chapter depends on whether the crew leader or the labor contractor is an employee of such other person under section 3306(i)."

(c) The amendments made by subsection (a) shall apply with respect to services performed after December 31, 1975.

Revenue For Emergency Unemployment
Compensation Advances

SEC.105. (a) Section 3301 of the Internal Revenue Code of 1954 (relating to rate of Federal unemployment tax) is amended by substituting "1973, 1974 and 1975" for "1973", in the last sentence thereof.

(b) Section 6157(b) of the Internal Revenue Code of 1954 (relating to payment of Federal unemployment tax on quarterly or other time period basis) is amended by striking out the second sentence thereof and substituting the following:

"In the case of wages paid in any calendar quarter or other period during 1973, 1974 and 1975, the amount of such wages shall be multiplied by 0.58 percent in lieu of 0.5 percent."

(c) Section 903(b) of the Social Security Act is amended by striking out paragraph (3) thereof.

(d) Section 204(b) of the Emergency Unemployment Compensation Act of 1971 (85 Stat. 811) is amended by substituting "905(d)" for "903(b)(3)."

(e) Section 905(b)(1) of the Social Security Act is amended by substituting for the last sentence thereof the following:

"In the case of any month after March 1973 and before April 1976 the first sentence of this paragraph shall be applied by substituting 'thirteen fifty-eighths' for 'one tenth'."

Payment To States

SEC. 106. (a) Section 8505(a) of Title 5, United States Code is hereby amended to read as follows:

"Each State is entitled to be paid by the United States with respect to each individual whose base period wages included Federal wages an amount which shall bear the same ratio to the total amount of benefits paid to such individual as the amount of his Federal wages in his base period bears to the total amount of his base period wages, computed to the nearest percentage point."

(b) The amendments provided in subsection (a) shall apply with regard to all new claims for compensation filed on or after July 1, 1975.

TITLE II--SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM

Short Title

Sec. 201. This title may be cited as the "Special Unemployment Compensation Act of 1974."

Grants to States; Agreements with States

Sec. 202. Each State which enters into an agreement with the Secretary of Labor, pursuant to which it makes payments of special unemployment compensation in accordance with the provisions of this Act and the rules and regulations prescribed by the Secretary of Labor hereunder, shall be paid by the United States from time to time such amounts as are deemed necessary by the Secretary of Labor to carry out the provisions of this Act in the State. Special unemployment compensation may be paid to individuals only pursuant to such an agreement.

Eligible Individuals

Sec. 203. An individual shall be eligible to receive a payment of special unemployment compensation or waiting period credit with respect to a week of unemployment occurring during and subsequent to a special unemployment compensation period in accordance withthe provisions of this Act if --

(a) The individual --

(1) Has exhausted all rights to regular, additional, and extended compensation under all State unemployment compensation laws and Chapter 85 of Title 5, United States Code, and has no further rights to regular, additional, or extended compensation under any State or Federal unemployment compensation law (including the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.)) with respect to such week of unemployment, and is not receiving compensation with respect to such week of unemployment under the unemployment compensation law of Canada; provided, that such rights to compensation were exhausted in or subsequent to the first week beginning on or after October 1, 1973, or, such rights to compensation having been exhausted prior to that date, the benefit year in which such rights to compensation were exhausted did not end until on or after October 1, 1973, and the individual was last employed on or after such date; or

(2) is not otherwise eligible for compensation under any State or Federal unemployment compensation law (including the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.)) with respect to such week of unemployment, and is not receiving compensation with respect to such week of unemployment under the unemployment compensation law of Canada; provided, that the individual meets the qualifying employment and wage requirements of the applicable State unemployment compensation law in a base year which, notwithstanding the State law, shall be the 52-week period preceding the first week with respect to which the individual: (a) files a claim for compensation or waiting period credit under this Act; (b) is totally or partially unemployed; and (c) meets such qualifying employment and wage requirements; and for the purpose of this proviso employment and wages which are not covered by the State law shall be treated as though they were covered, except that employment and wages covered by the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.) shall be excluded to the extent that the individual is or was entitled to compensation for

unemployment thereunder on the basis of such employment and wages; provided, further, that the individual became totally or partially unemployed on or after October 1, 1973, and has met any waiting period requirement of the applicable State unemployment compensation law; and

(b) The individual is totally or partially unemployed, and is able to work, and is available for work, within the meaning of the applicable State unemployment compensation law, and is not subject to disqualification under that law; and

(c) The individual has filed a claim for compensation or waiting period credit under this Act; and

(d) In the area in which the individual was last employed for at least one week prior to filing a claim under this Act for compensation or waiting period credit with respect to such week of unemployment, a special unemployment compensation period is in effect with respect to such week of unemployment; provided, that if the individual, except for the imposition of a disqualification in accordance with subsection (b), was otherwise eligible for a payment of compensation or waiting period credit under this Act with respect to a week of unemployment which began during a special unemployment compensation period, but did not exhaust entitlement to

special unemployment compensation during the special unemployment compensation period, entitlement shall continue after the end of the special unemployment compensation period but no compensation shall be paid under this Act for any week of unemployment that begins more than 26 weeks after the end of such period; and

(e) The State in which the individual was last employed for at least a week prior to filing a claim under this Act for compensation or waiting period credit with respect to such week of unemployment, has an agreement with the Secretary of Labor under section 202 which is in effect with respect to such week of unemployment.

Special Unemployment Compensation Period

Sec. 204.(a) A special unemployment compensation period shall commence in an area designated by the Secretary with the third week after the first week for which there is an "on" indicator for such area, and shall terminate with the third week after the first week for which there is an "off" indicator for such area; provided, that no special unemployment compensation period shall have a duration of less than 13 weeks.

(b) The Secretary shall designate as an area under this section:

(1) Each area within or among the States which he determines to be a "labor area" and which has a population of at least 250,000 persons. For the purposes of this section a "labor area" shall consist of an economically integrated geographical unit within which workers may readily change jobs without changing their places of residence; and

(2) All parts of a State which are not within a "labor area" designated under paragraph (1).

(c) There is an "on" indicator in an area for a week if for the period consisting of such week and the immediately preceding 12 weeks:

(1) The rate of insured unemployment in the area equaled or exceeded 4 per centum, and equaled

or exceeded 120 per centum of the average of such rates for the corresponding 13 weeks in the period October 1, 1972, through September 29, 1973; or

(2) The rate of insured unemployment in the area equaled or exceeded 4.5 per centum.

(d) There is an "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, neither subsection (c)(1) nor (c)(2) is satisfied.

(e) For the purposes of this section, the term "rate of insured unemployment" shall mean the percentage arrived at by dividing:

(1) The average weekly number of individuals who filed claims in the area, under State unemployment compensation laws, for unemployment compensation with respect to weeks of unemployment in the 13-week period specified in subsections (c) and (d), as determined on the basis of the reports made by the appropriate State agencies to the Secretary, by

(2) The average monthly employment in the area, which is covered by State unemployment compensation laws applicable to the area, for the last four

consecutive calendar quarters ending before the close of such period for which data is available. In determining, pursuant to paragraph (1), the average weekly number of individuals who filed claims in the area, individuals who filed claims under this Act shall be excluded.

Weekly Benefit Amount

Sec. 205. The amount of special unemployment compensation to which an eligible individual shall be entitled for a week of total unemployment shall be --

(a) For an individual referred to in paragraph (1) of subsection (a) of section 203, the average weekly benefit amount of regular compensation which was payable to the individual for a week of total unemployment in the individual's most recent benefit year;

(b) For an individual referred to in paragraph (2) of subsection (a) of section 203, the average weekly benefit amount for a week of total unemployment that would be payable to the individual as regular compensation under the applicable State unemployment compensation law; Provided, that in computing the weekly benefit amount under this subsection the individual's base year, notwithstanding the State law, shall be the 52-week period preceding the first week with respect to which the individual: (1) files a claim for compensation or waiting period credit under this Act; (2) is totally or partially unemployed; and (3) meets such qualifying employment and wage requirements; and for the purpose of this proviso,

employment and wages which are not covered by the State law shall be treated as though they were covered, except that employment and wages covered by the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.) shall be excluded to the extent that the individual is or was entitled to compensation for unemployment thereunder on the basis of such employment and wages.

Maximum Benefit Amount

Sec. 206. The maximum amount of special unemployment compensation which an eligible individual shall be entitled to receive shall be --

(a) For an individual referred to in paragraph (1) of subsection (a) of section 203, one-half the maximum amount of regular compensation payable to the individual in the individual's most recent benefit year, but not exceeding the lesser of: (1) 13 times the average weekly benefit amount which was payable to the individual for a week of total unemployment as determined under subsection (a) of section 205; and (2) 52 times such weekly benefit amount reduced by the regular, additional, and extended compensation payable to the individual with respect to such benefit year.

(b) For an individual referred to in paragraph (2) of subsection (a) of section 203, the maximum amount of regular compensation that would be payable to such individual as computed under the provisions of the applicable State unemployment compensation law, but not exceeding 26 times the weekly benefit amount payable to the individual for a week of total unemployment as

determined under subsection (b) of section 205; Provided, that in computing duration under this subsection the individual's base year, notwithstanding the State law, shall be the 52-week period preceding the first week with respect to which the individual: (1) files a claim for compensation or waiting period credit under this Act; (2) is totally or partially unemployed; and (3) meets such qualifying employment and wage requirements; and for the purpose of this proviso employment and wages which are not covered by the State law shall be treated as though they were covered, except that employment and wages covered by the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.) shall be excluded to the extent that the individual is or was entitled to compensation for unemployment thereunder on the basis of such employment and wages.

Applicable State Law Provisions

Sec. 207. Except where inconsistent with the provisions of this Act, the terms and conditions of the applicable State unemployment compensation law which apply to claims thereunder for regular compensation and the payment thereof shall apply to claims for special unemployment compensation and the payment thereof.

Termination Date

Sec. 208. Notwithstanding any other provisions of this Act, no payment of special unemployment compensation shall be made to any individual with respect to any week of unemployment ending after June 30, 1975.

Rules and Regulations

Sec. 209. The Secretary of Labor is empowered to promulgate such rules and regulations as he shall deem necessary and appropriate to carry out the provisions of this Act, including regulations governing the payment of grants to the States under this Act and prescribing the form and content of agreements with the States entered into under this Act.

Definitions

Section 210. As used in this Act:

(a) The term "applicable State unemployment compensation law" means the law of the State in which the individual was last employed for at least one week prior to filing a claim for compensation or waiting period credit under this Act.

(b) The terms "regular compensation", "additional compensation", and "extended compensation" shall not include special unemployment compensation provided for in this Act, but shall have the meanings assigned to those terms by section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, as amended (Public Law 91-373; 84 Stat. 708 *et seq.*).

(c) The term "State" means the States of the United States, the District of Columbia, Puerto Rico, and the Virgin Islands.

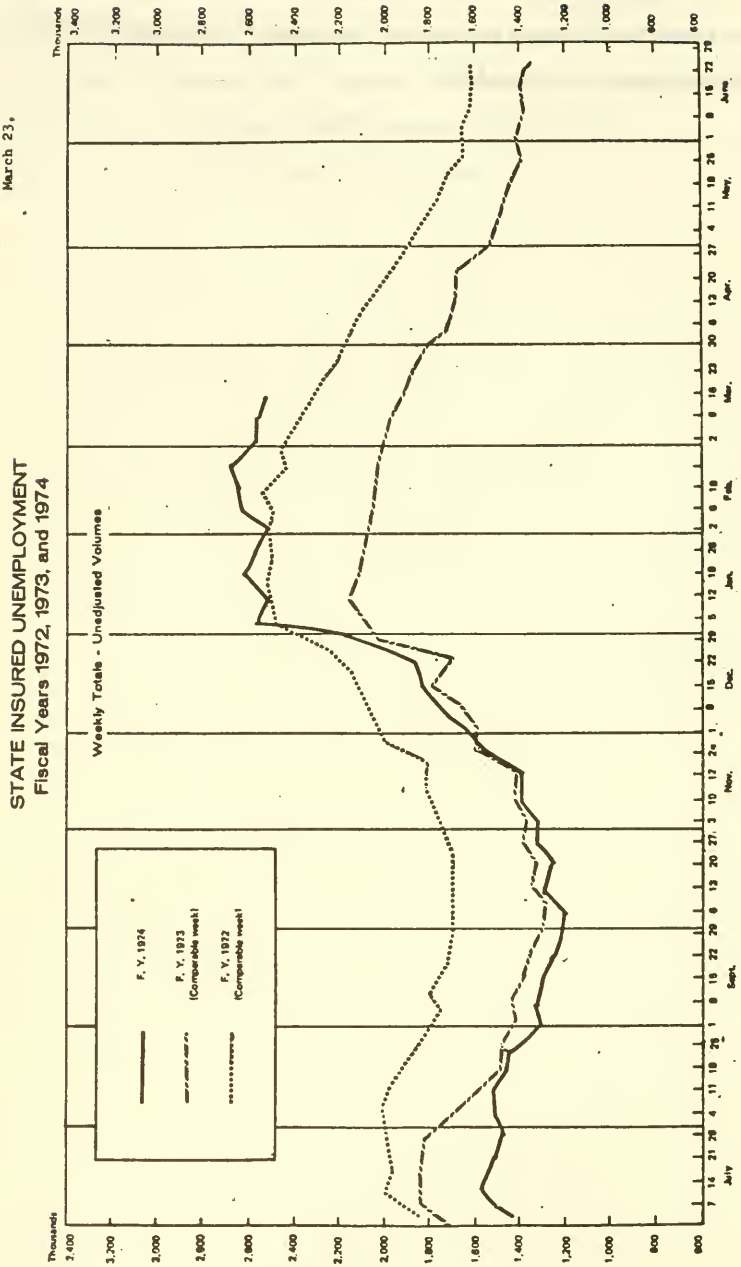
(d) The term "week" means a calendar week.

Effective Date

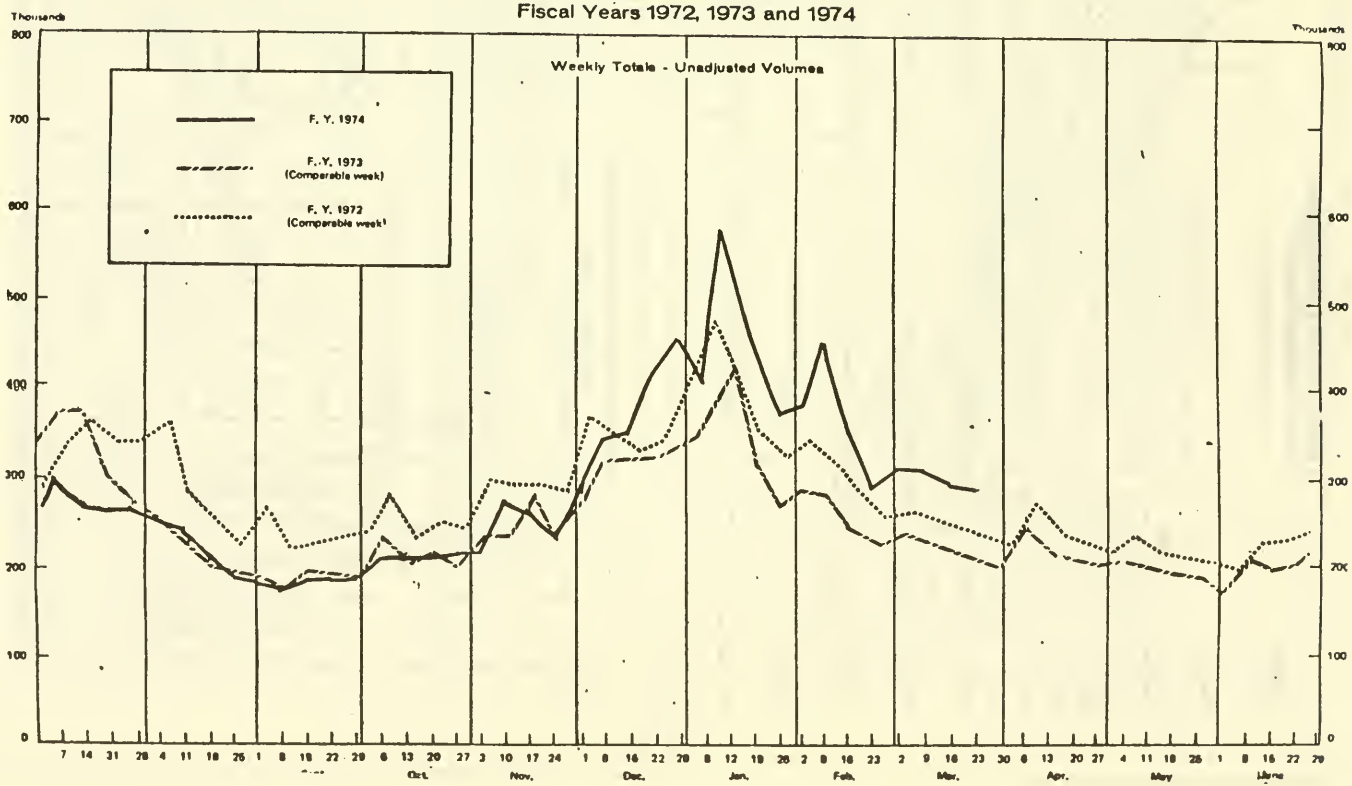
Sec. 211. This Act shall take effect on the thirtieth day after the date it is enacted and special unemployment compensation may be paid with respect to weeks of unemployment beginning on and after the effective date only in accordance with the provisions of this Act.

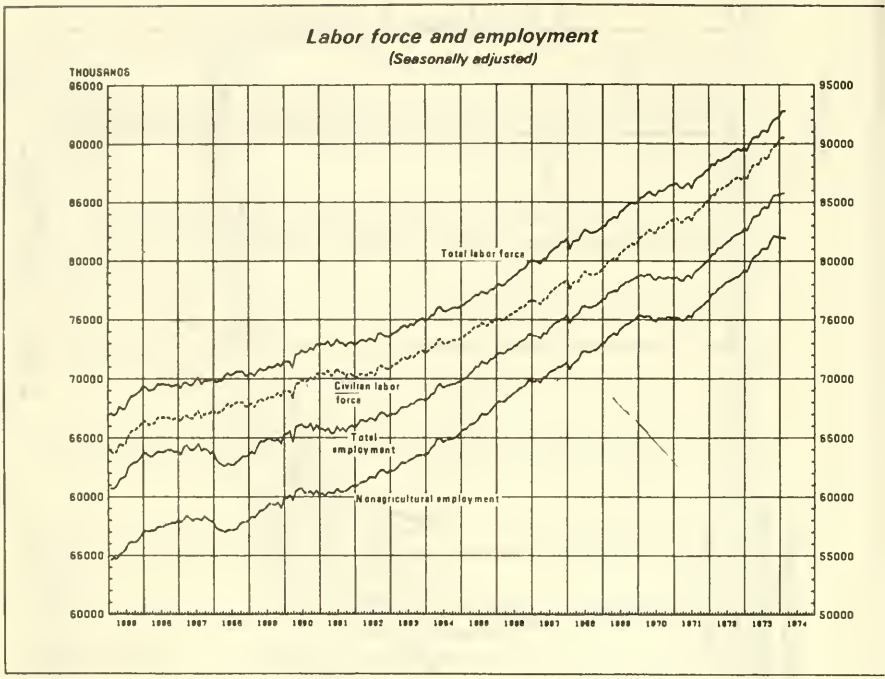
Appropriations Authorization

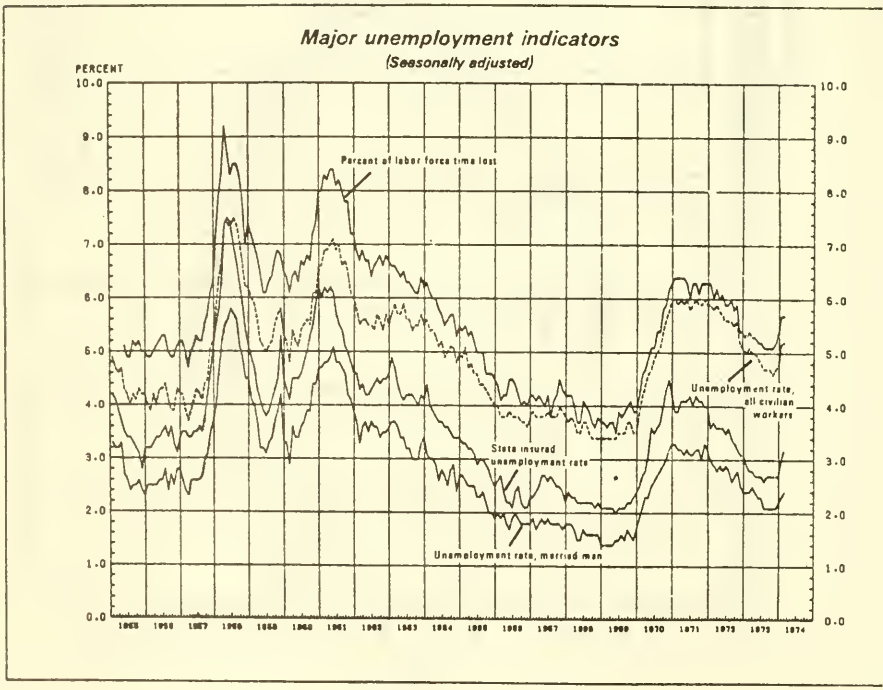
Sec. 212. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.


STATE INSURED UNEMPLOYMENT
Fiscal Years 1972, 1973, and 1974
Weekly Totals - Unadjusted Volumes
F. Y. 1974
F. Y. 1973 (Comparable week)
F. Y. 1972 (Comparable week)
Thousands
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
July
Sept.
Nov.
Dec.
Jan.
Feb.
Mar.
Apr.
May
June
March 23,

STATE INITIAL CLAIMS
Fiscal Years 1972, 1973 and 1974

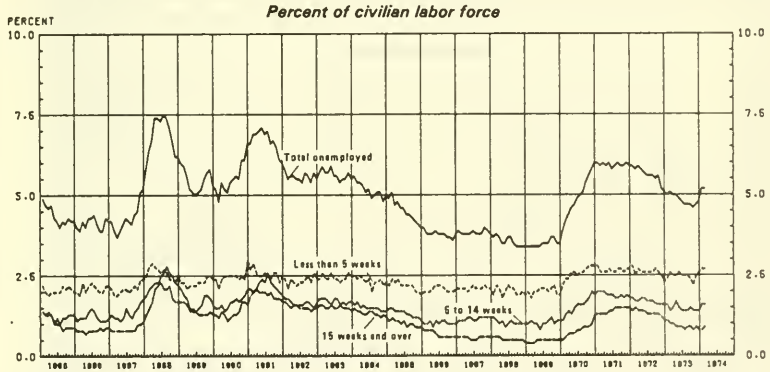


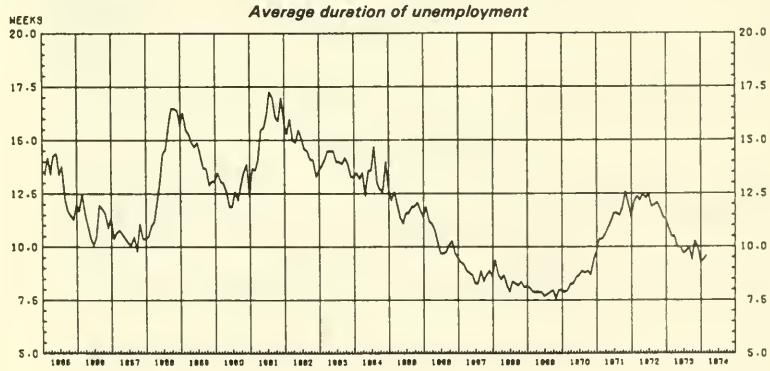

Labor force and employment
(Seasonally adjusted)
THOUSANDS
Total labor force
Civilian labor force
Total employment
Nonagricultural employment


Major unemployment indicators
(Seasonally adjusted)
PERCENT
Percent of labor force time lost
Unemployment rate, all civilian workers
State insured unemployment rate
Unemployment rate, married men

Duration of unemployment

(Seasonally adjusted)





Unemployment rates by major occupational groups

(Seasonally adjusted)

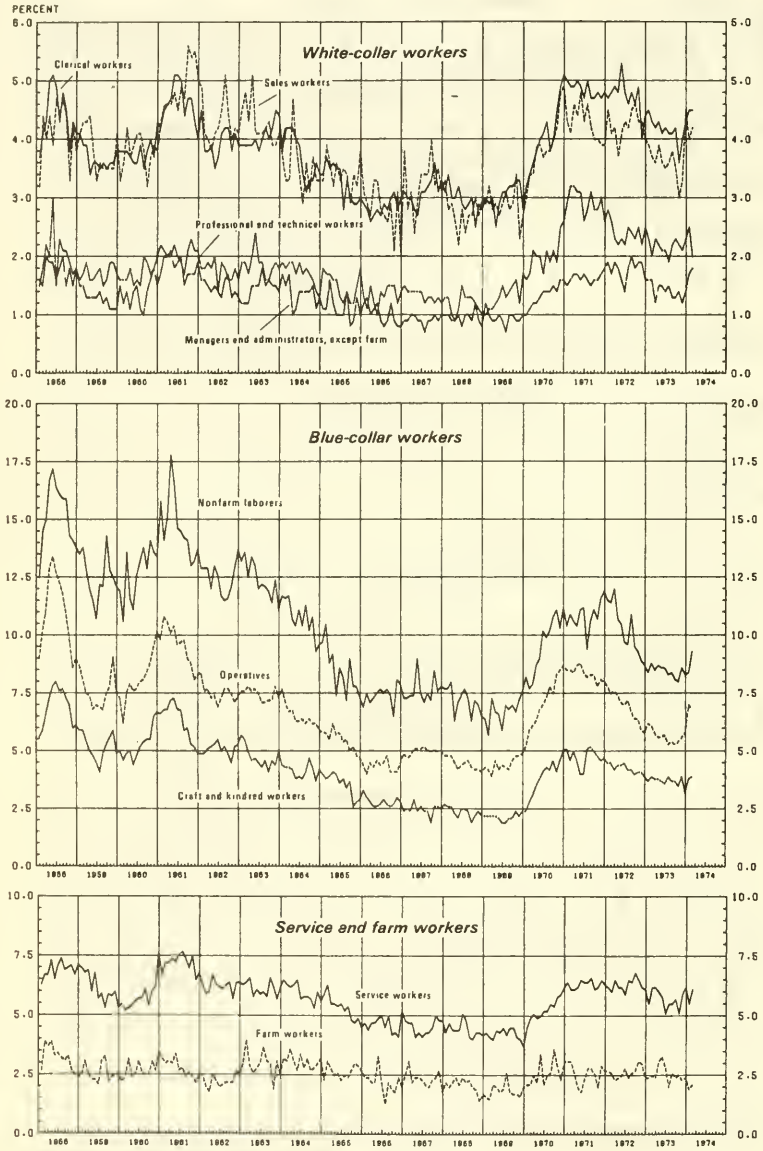


TABLE 1.—*Unemployment insurance trust funds: reserves as of Dec. 31, 1973*

[In thousands]

United States	$10, 933, 937
Alabama	122, 888
Alaska	42, 067
Arizona	153, 965
Arkansas	63, 468
California	1, 214, 457
Colorado	115, 636
Connecticut	40, 846
Delaware	38, 901
District of Columbia	50, 087
Florida	344, 008
Georgia	448, 591
Hawaii	25, 307
Idaho	54, 118
Illinois	423, 769
Indiana	378, 667
Iowa	120, 490
Kansas	114, 984
Kentucky	201, 179
Louisiana	118, 515
Maine	28, 895
Maryland	146, 929
Massachusetts	212, 001
Michigan	564, 450
Minnesota	92, 153
Mississippi	111, 217
Missouri	236, 366
Montana	23, 313
Nebraska	59, 295
Nevada	31, 420
New Hampshire	58, 552
New Jersey	154, 844
New Mexico	42, 661
New York	1, 346, 142
North Carolina	516, 039
North Dakota	18, 236
Ohio	768, 055
Oklahoma	55, 934
Oregon	122, 949
Pennyslvania	594, 570
Puerto Rico	31, 420
Rhode Island	33, 427
South Carolina	216, 407
South Dakota	23, 103
Tennessee	296, 396
Texas	328, 613
Utah	53, 055
Vermont	3, 099
Virginia	245, 739
Washington	6, 482
West Virginia	114, 411
Wisonsin	301, 366
Wyoming	24, 454

Source: Department of Labor, Manpower Administration, April 15, 1974.

TABLE 2.—*State coverage of major types of employment exempt under FUTA*

Total	Agricultural labor	Domestic service	State government	Local government
Alabama				(1)
Alaska				
Arizona				
Arkansas		X	X	
California			(1)	(1)
Colorado				
Connecticut			X	X
Delaware			X	
District of Columbia	X	X		
Florida			X	
Georgia				
Guam				
Hawaii	X	X	X	X
Idaho			X	(1)
Illinois			X	
Indiana				(1)
Iowa			X	
Kansas				
Kentucky				
Louisiana			X	
Maine				
Maryland			(1)	
Massachusetts				
Michigan			X	
Minnesota	X		X	X
Mississippi				
Missouri				
Montana			X	
Nebraska			X	
Nevada				
New Hampshire			X	
New Jersey			(1)	
New Mexico				
New York		X	X	(1)
North Carolina				
North Dakota				
Ohio			X	X
Oklahoma			X	
Oregon			X	X
Pennsylvania			X	
Puerto Rico	X		(1)	(1)
Rhode Island			X	
South Carolina				
South Dakota			X	
Tennessee				
Texas			X	
Utah			X	
Vermont				
Virginia				
Virgin Islands				
Washington			X	(1)
West Virginia				
Wisconsin			X	(1)
Wyoming				

[1] Limited to service for Walker County, Ala., and its agencies or instrumentalities; this provision has not been implemented. Limited to service for public housing authorities and to services performed for the State by blind and physically handicapped workers in noncivil service positions; mandatory coverage applicable only to employees with civil service status who receive notice of layoff on or after Mar. 1, 1971, due to reduction in the budget, reduction in staff due to economy or from organization changes or a reduced workload, California; irrigation and soil conservation districts, Idaho; municipally owned public utilities, Indiana; services for the Maryland Workshop for the Blind, Maryland; services for South Jersey Port Commission, New Jersey; custodial service for boards of education of cities of 400,000 or more, New York; agencies or instrumentalities of Puerto Rico or of its municipalities, operating as private enterprises, Puerto Rico: public utility districts and public power authorities, Washington; and 1st-class cities, Wisconsin.

Source: U.S. Department of Labor, Manpower Administration.

TABLE 3.—*Estimated percentage increase in regular State and benefit costs resulting from a benefit standard requiring a maximum weekly benefit amount equal to 66⅔ percent of the average weekly wage in covered employment*

Percentage increase interval/State	Number of States	Estimated percentage increase in benefit costs
Less than 5 percent	13	
Arkansas		0
District of Columbia		0
Hawaii		0
South Carolina		0
Utah		1.1
West Virginia		1.5
New Hampshire		2.1
Colorado		3.0
North Carolina		3.3
Pennsylvania		3.7
Rhode Island		4.3
Wisconsin		4.3
Connecticut		4.7
5 percent but less than 10 percent	13	
Minnesota		5.3
Idaho		6.0
Vermont		6.1
Nebraska		6.2
Virginia		6.2
Maine		7.7
Massachusetts		7.8
Delaware		7.9
Maryland		8.9
Tennessee		9.0
California		9.5
New Mexico		9.9
Oklahoma		9.9
U.S. average	52	12.1
10 percent but less than 15 percent	12	
Oregon		10.2
Iowa		10.5
Kansas		11.0
Puerto Rico		11.1
North Dakota		12.4
Washington		13.0
Alabama		13.1
Florida		13.1
Nevada		13.9
Louisiana		14.1
Illinois		14.8
South Dakota		14.8
15 percent but less than 20 percent	7	
Georgia		15.3
Kentucky		15.5
New York		16.5
Montana		17.1
New Jersey		17.4
Ohio		18.0
Mississippi		19.2
20 percent but less than 25 percent	5	
Alaska		20.0
Texas		20.7
Wyoming		20.7
Missouri		21.2
Indiana		23.3

TABLE 3.—*Estimated percentage increase in regular State and benefit costs resulting from a benefit standard requiring a maximum weekly benefit amount equal to 66⅔ percent of the average weekly wage in covered employment*—Continued

Percentage increase interval/State	Number of States	Estimated percentage increase in benefit costs
25 percent and over	2	
Michigan		25.3
Arizona		29.1

NOTE.—Estimates were developed by the respective State employment security agencies and relate to benefit costs which would have been incurred in fiscal year 1973. The percentage increase in benefit costs assumes that all pertinent elements of the benefit formula in the State's law as of mid-September 1973 (regardless of their legal effective date) were fully effective throughout the 12-mo. study period. The maximum weekly benefit amount for an individual State was determined from the State's average weekly wage in covered employment in calendar year 1971.

Source: U.S. Department of Labor, Manpower Administration.

TABLE 4.—*Maximum weekly benefit amount (MWBA) payable July 1, 1973, and amount required to yield 66⅔ percent of the statewide average weekly wage (AWW) in covered employment*

(1)	Average weekly wage (AWW)[1] (2)	MWBA as percent of AWW in column 2 (percent) (3)	MWBA July 1, 1973[2] (4)	Amount required to yield 66 percent of calendar year 1972 AWW in covered employment[3] (5)
Part I Flexible maximum States:[4]				
Arkansas	$117.69	66	$79	$78
Colorado	[5] 151.20	60	90	98
Connecticut	[6] 152.75	60–90	92–138	110
District of Columbia	[6] 164.41	66⅔	110	135
Hawaii	[5] 139.04	66⅔	93	102
Idaho	130.36	60	78	87
Iowa	136.26	55	75	91
Kansas	132.18	55	73	88
Kentucky	139.49	50	70	93
Maine	124.50	52	65	83
Massachusetts	[6] 149.65	55–84	83–125	103
Montana	130.94	50	65	87
Nevada	159.03	50	80	106
New Jersey	161.34	50	81	112
New Mexico	[5] 126.20	50	64	86
North Carolina	120.36	50	60	85
North Dakota	123.29	55	68	82
Pennsylvania	150.33	60–66	91–99	102
Puerto Rico	95.40	60	50	64
Rhode Island	135.92	60–75	82–102	91
South Carolina	123.45	66⅔	83	82
South Dakota	112.06	[6] 52	[6] 59	75
Utah	134.00	65	87	89
Vermont	134.23	[7] 50	77	89
Washington	161.69	50	81	108
West Virginia	153.00	55	84	102
Wisconsin	[5] 148.81	60	89	99
Wyoming	134.14	50	67	89

Footnotes at end of table.

TABLE 4.—*Maximum weekly benefit amount (MWBA) payable July 1, 1973, and amount required to yield 66⅔ percent of the statewide average weekly wage (AWW. in covered employment*—Continued

(1)	Average weekly wage (AWW)[1] (2)	MWBA as percent of AWW in column 2 (percent) (3)	MWBA July 1, 1973[2] (4)	Amount required to yield 66 percent of calendar year 1972 AWW in covered employment[3] (5)
Part II Fixed maximum States:				
Alabama	130. 85	46	60	87
Alaska	224. 56	40–53	90–120	150
Arizona	152. 19	39	60	101
California	171. 93	44	75	115
Delaware	163. 94	40	65	109
Florida	142. 19	45	64	95
Georgia	137. 45	44	60	92
Illinois	169. 22	30–57	51–97	113
Indiana	157. 64	32–48	50–75	105
Louisiana	144. 24	49	70	96
Maryland	148. 78	52	78	99
Michigan	186. 99	30–49	56–92	125
Minnesota	152. 29	56	85	102
Mississippi	116. 60	42	49	78
Missouri	152. 34	41	63	102
Nebraska	129. 51	[6] 46	[6] 60	86
New Hampshire	135. 00	56	75	90
New York	178. 00	42	75	119
Ohio	164. 44	36–55	60–91	110
Oklahoma	132. 92	45	60	89
Oregon	151. 11	41	62	101
Tennessee	130. 00	48	62	87
Texas	139. 58	45	63	93
Virginia	135. 00	52	70	90

[1] For the "flexible maximum" States, the AWW shown is for the 12-mo period specified in the State law for determining the MWBA. Not more than 1 6-mo lag exists between the end of the period and the effective date of the MWBA in any flexible maximum State except New Jersey where there is a 12-mo lag. For "fixed dollar amount maximum" States, the AWW shown is that for the 12-mo period ending Dec. 31, 1972.

[2] For States providing dependents allowances as part of the WBA, 2 entries are shown: the lower figure is the basic MWBA payable to a worker without dependents, the higher figure, the MWBA with the maximum allowance for dependents. Illinois, Indiana, Michigan, and Ohio vary the MWBA according to "family class," "dependency class," etc., as well as base period wages. In Ohio, since July 1, 1972, the MWBA for each family class has been determined on the basis of changes in the Consumer Price Index between April of the preceding year and April of the current year. In the remaining 7 States with dependents allowance provisions, fixed amounts for each dependent up to a statutory ceiling are specified. These States are Alaska, Connecticut, District of Columbia, Maryland, Massachusetts, Pennsylvania, and Rhode Island.

[3] For all States, figures in col. 5 are computed on the basis of AWW in calendar year 1972. Similar amounts effective July 1, 1975 would be based upon AWW in 1974 (not yet available). Since data shown in col. 2 for States with flexible maximums are the amounts used by these States for computation purposes, data for these States in col. 5 cannot be related directly to col. 2. Data used as a basis for MWBA computation in Colorado and Connecticut, as noted in footnote 4 below, are specified groups of workers, not all covered employment. Since calendar year 1972 AWW in covered employment is used in col. 2 for States with fixed maximums, data for these States in col. 5 can be related directly to data in col 2.

[4] In flexible maximum States, the MWBA is determined periodically at a specified percent of the AWW in covered employment: Colorado, in selected industries; and Connecticut, based on AWW of production and related workers. MWBA may not be increased by more than $6 in any year in Connecticut.

[5] In these States, the State law specifies that the AWW used in determining the MWBA is for a 12-mo period other than a calendar year.

[6] State legislative enactments will make the following changes in present MWBA's effective on the dates indicated. Effective Sept. 2, 1973, Nebraska, $68. Effective July 1, 1974, South Dakota, 56 percent of AWW.

[7] Plus $9.

TABLE 5.—*Percent of new insured claimants eligible for the maximum weekly benefit amount (MWBA) (States arrayed by percent eligible for MWBA, 1972, in descending order* [1])

State	Percent eligible for MWBA 1972	MWBA payable July 1, 1973 as percent of State's average weekly wage in 1972 [2]	State UI covered employment as percent of U.S. total covered employment	
			1972	1972 cumulative
(1)	(2)	(3)		(4)
United States			100.0	100.0
Michigan	73	30–49	4.2	4.2
Indiana	72	32–48	2.6	6.8
Ohio	68	36–55	5.5	12.3
Arizona	66	39	.9	13.2
Wyoming [3]	65	50	.1	13.3
Iowa [3]	64	55	1.2	14.5
Louisiana	62	49	1.5	16.0
Delaware	61	40	.3	16.3
Montana [3]	59	50	.2	16.5
Nebraska [4]	59	46	.7	17.2
North Dakota [3]	58	55	.2	17.4
Illinois	57	30–57	5.8	23.2
South Dakota [3, 4]	57	52	.2	23.4
Missouri	55	41	2.3	25.7
Kansas [3]	54	55	.9	26.6
Minnesota	54	56	1.9	28.5
Georgia	51	44	2.2	30.7
Kentucky [3]	51	50	1.2	31.9
New Jersey [3]	50	50	3.6	35.5
Washington [3]	49	50	.2	35.7
Texas	46	45	5.3	41.0
Idaho [3]	44	60	.3	41.3
Nevada [3]	44	50	.3	41.6
Mississippi	43	42	.8	42.4
Florida	42	45	3.5	45.9
New York	42	42	9.8	55.7
Alabama	41	46	1.4	57.1
Maine [3]	40	52	.5	57.6
Maryland	40	52	1.7	59.3
Wisconsin [3]	40	60	2.1	61.4
Massachusetts [3]	39	55–84	3.0	64.4
New Mexico [3]	39	50	.4	64.8
Colorado [3]	38	60	1.1	65.9
Tennessee	38	48	2.0	67.9
Vermont [3]	37	50+$9	.2	68.1
Oklahoma	35	45	1.1	69.2
Hawaii [3]	34	66⅔	.5	69.7
California	33	44	10.3	80.0

See footnotes at end of table.

TABLE 5.—*Percent of new insured claimants eligible for the maximum weekly benefit amount (MWBA) (States arrayed by percent eligible for MWBA, 1972, in descending order* [1])—Continued

State	Percent eligible for MWBA 1972	MWBA payable July 1, 1973 as percent of State's average weekly wage in 1972 [2]	State UI covered employment as percent of U.S. total covered employment	
			1972	1972 cumulative
(1)	(2)	(3)		(4)
Pennsylvania [3]	33	60–66	6. 2	86. 2
Virginia	32	52	2. 1	88. 3
Utah [3]	31	65	. 5	88. 8
Connecticut [3]	30	60–90	1. 9	90. 7
District of Columbia [3]	30	66⅔	1. 0	91. 7
Rhode Island [3]	30	60–75	. 5	92. 2
South Carolina [3]	29	66⅔	1. 2	93. 4
Arkansas [3]	20	66⅔	. 8	94. 2
Puerto Rico [3]	17	60	. 8	95. 0

[1] Includes 47 States and 95 percent of U.S. total covered employment in calendar year 1972. The five States omitted are annual wage formula States. In these States (in which the individual's WBA is unrelated to his AWW) the MWBA's stated as a percent of the statewide AWW, and their percent of the U.S. covered employment in calendar year 1971 are, respectively:

	Percent
Alaska	40–53; 0.1
New Hampshire	56; 0.4
North Carolina	50; 2.7
Oregon	41; 1.1
West Virginia	55; 0.7

North Carolina and West Virginia have flexible maximums.

Since annual wage formula States do not gear the benefit amount to the individual's average weekly wage, the percentage of their claimants who are eligible for the MWBA does not indicate what percentage of their claimants do or do not receive weekly benefits equal to half their weekly wage. Accordingly, these States were omitted from the table.

[2] For States providing dependents allowances as part of the WBA, two entries are shown: the lower figure is the basic MWBA payable to a worker without dependents, the higher figure, the MWBA with the maximum allowance for dependents. Illinois, Indiana, Michigan, and Ohio vary the MWBA according to family class, dependency class, and so forth, as well as base period wages. In Ohio, since July 1, 1972, the MWBA for each family class has been determined on the basis of changes in the Consumer Price Index between April of the preceding year and April of the current year. In the remaining seven States with dependents allowance provisions, fixed amounts for each dependent up to a statutory ceiling are specified. These States are Alaska, Connecticut, District of Columbia, Maryland, Massachusetts, Pennsylvania, and Rhode Island.

[3] Flexible maximum States, for which the maximum listed is that specified (as a percentage) by State law. In the flexible maximum States, new dollar amount maximums are automatically computed annually (or semiannually) on the basis of the average wage of covered workers in a 12-month period ending 6 months earlier than the computation date. All other States are fixed dollar maximum States where the dollar maximum is changed only when the State legislature enacts a new one.

[4] State legislative enactments will make the following changes in present MWBA's effective on the dates indicated. Effective Sept. 2, 1973, Nebraska, $68. Effective July 1, 1974, South Dakota, 56 percent of AWW.

TABLE 6.—*Unemployment insurance: selected data on benefit duration of claimants and exhaustees*

	Statutory provisions: maximum number of weeks of duration, January 1972	Percent insured claimants eligible for 26 or more weeks, 1972	Percent of beneficiaries who exhausted their benefit rights, 1972	Percent of exhaustees who received 26 or more weeks of benefits, 1972 [1]	Percent of exhaustees who received less than 20 weeks of benefits, 1972 [1]
Alabama	26	65	28	49	32
Alaska	28	91	27	83	5
Arizona	26	62	28	35	38
Arkansas	26	50	22	33	48
California	[1] 26	69	33	61	26
Colorado	26	51	21	32	50
Connecticut	[2] 26	93	27	94	1
Delaware	26	59	17	64	14
District of Columbia	34	80	31	70	12
Florida	26	16	37	12	65
Georgia	26	30	31	19	52
Hawaii	[2 3] 26	100	40	100	0
Idaho	26	24	24	13	70
Illinois	26	78	27	35	30
Indiana	26	37	30	17	67
Iowa	26	43	26	22	61
Kansas	26	59	28	48	36
Kentucky	26	56	29	43	39
Louisiana	28	62	34	47	35
Maine	26	35	33	20	62
Maryland	[3] 26	100	24	100	0
Massachusetts	30	75	37	63	20
Michigan	26	66	34	33	45
Minnesota	26	56	36	23	44
Mississippi	26	57	21	47	34
Missouri	26	61	26	47	34
Montana	26	60	30	43	23
Nebraska	26	54	32	18	52
Nevada	26	48	37	45	37
New Hampshire	[3] 26	100	5	97	3
New Jersey	26	67	28	56	30
New Mexico	30	90	28	82	2
New York	[3] 26	100	27	100	0
North Carolina	[3] 26	100	17	74	9
North Dakota	26	61	24	42	37
Ohio	26	76	20	69	0
Oklahoma	26	27	46	21	51
Oregon	26	94	25	91	4
Pennsylvania	[3] 30	100	19	94	1
Puerto Rico	[2 3] 20–52	0	56	0	0
Rhode Island	26	49	33	39	44
South Carolina	26	62	29	47	29
South Dakota	26	39	24	17	59
Tennessee	26	61	26	47	31
Texas	26	36	35	24	51
Utah	36	42	23	27	55
Vermont	[3] 26	100	25	100	0
Virginia	26	37	25	19	55
Washington	30	56	39	42	38
West Virginia	[3] 26	100	16	74	0
Wisconsin	34	61	26	44	34
Wyoming	26	55	18	28	49

[1] Data in some States reflect reduction in weeks allowed due to disqualification.

[2] States where additional weeks of benefits may be paid when special unemployment conditions exist as specified by State law.

[3] States that have uniform duration of regular benefits for all claimants.

Source: U.S. Department of Labor, Manpower Administration, April 1974.

TABLE 7.—*Experience under the Federal-State Extended Unemployment Compensation Act (State UI)*

	IUR [1] (percent)	Beneficiaries [2] (thousands)	Benefits [3] (millions)
1970:			
August	3.74		
September	4.07		
October	4.44	24.7	$3.3
November	4.58	40.1	12.2
December	4.22	33.3	18.8
1971:			
January	4.12	160.4	32.8
February	4.29	116.3	55.1
March	4.49	149.5	76.5
April	4.54	136.9	72.5
May	4.77	109.5	58.7
June	4.86	118.1	68.0
July	4.50	109.5	60.3
August	4.63	108.8	57.7
September	4.85	104.3	58.7
October	4.85	98.4	53.8
November	4.64	104.9	53.0
December	4.30	103.2	54.9
1972:			
January	4.09	178.2	64.8
February	4.25	194.6	81.4
March	4.32	193.0	97.1
April	3.98	146.0	67.1
May	4.00	97.0	49.3
June	3.92	76.0	38.5
July	3.91	54.0	27.1
August	3.52	26.9	14.2
September	3.54	13.7	6.5
October	3.37	10.9	6.0
November	3.34	54.0	12.6
December	3.23	44.8	21.2
1973:			
January	2.87	27.9	18.5
February	2.91	23.0	12.8
March	2.94	22.9	13.6
April	2.78	22.2	12.3
May	2.81	22.8	13.0
June	2.80	20.6	11.6
July	2.70	13.0	11.6
August	2.80	13.2	11.9
September	2.80	19.1	11.6
October	2.74	19.5	12.9
November	2.83	20.5	13.8
December	2.95	19.9	13.6
Total benefits paid through 1973			1,379.7
1974:			
January	3.05	(4)	(4)
February	3.33	(4)	(4)

[1] National insured unemployment rates (seasonally adjusted).
[2] Beneficiaries (first checks paid).
[3] Gross amount benefits paid.
[4] Not available.

Source: U.S. Department of Labor, Manpower Administration.

TABLE 8.—*Federal-State extended unemployment compensation, national insured unemployment rates (seasonally adjusted)*

[In percent]

Month	1970	1971	1972	1973	1974
January		4. 12	4. 09	2. 87	3. 05
February		4. 29	4. 25	2. 91	3. 33
March		4. 49	4. 32	2. 94	
April		4. 54	3. 98	2. 78	
May		4. 77	4. 00	2. 81	
June		4. 86	3. 92	2. 80	
July		4. 50	3. 91	2. 70	
August	3. 74	4. 63	3. 52	2. 80	
September	4. 07	4. 85	3. 54	2. 80	
October	4. 44	4. 85	3. 37	2. 74	
November	4. 58	4. 64	3. 34	2. 83	
December	4. 22	4. 30	3. 23	2. 95	

TABLE 9.—*Trigger status of States and rate needed to trigger "on" and fulfill 120 percent criterion*

[In percent]

Total	Public Law 93-373 Extended Benefit Indicators,[1] week ending Mar. 9, 1974, actual data		Rate needed to trigger "on" and fulfill 120 percent criterion for week ending Mar. 9, 1974
	13-week insured rate	Percent of 2 prior years [2]	
Alabama	2. 92	81	4. 25
Alaska *	12. 94	100	14. 94
Arizona	3. 02	103	4. 00
Arkansas	3. 99	77	5. 27
California	4. 85	84	6. 81
Colorado	INA		4. 00
Connecticut	4. 42	69	7. 52
Delaware	4. 18	126	4. 00
District of Columbia	2. 15	104	4. 00
Florida	1. 73	77	4. 00
Georgia	1. 74	116	4. 00
Hawaii	4. 62	98	5. 64
Idaho	5. 83	98	6. 99
Illinois	INA		4. 11
Indiana	2. 83	92	4. 00
Iowa	2. 46	75	4. 00
Kansas	3. 10	89	4. 09
Kentucky	3. 49	87	4. 75
Louisiana	3. 39	81	4. 86
Maine	5. 89	77	9. 02
Maryland	3. 01	76	4. 67
Massachusetts *	(6. 57)	(91)	8. 61
Michigan	6. 48	121	6. 27
Minnesota	4. 52	95	5. 49
Mississippi	2. 08	84	4. 00
Missouri	3. 77	87	5. 06
Montana	6. 11	89	8. 04
Nebraska	2. 86	97	4. 00
Nevada	6. 38	92	8. 19
New Hampshire	3. 08	99	4. 00
New Jersey*	7. 46	108	8. 20
New Mexico	4. 30	99	5. 13
New York*	4. 89	90	6. 43
North Carolina	1. 80	83	4. 00
North Dakota	5. 06	75	7. 80
Ohio [3]	(2. 52)	(81)	4. 00
Oklahoma	2. 53	65	4. 54

See footnotes at end of table.

TABLE 9.—*Trigger status of States and rate needed to trigger "on" and fulfill 120 percent criterion*—Continued

[In percent]

Total	Public Law 93-373 Extended Benefit Indicators,[1] week ending Mar. 9, 1974, actual data		Rate needed to trigger "on" and fulfill 120 percent criterion for week ending Mar. 9, 1974
	13-week insured rate	Percent of 2 prior years [2]	
Oregon	6.65	104	7.62
Pennsylvania	4.54	90	5.98
Puerto Rico	11.90	88	16.29
Rhode Island*	7.17	101	8.33
South Carolina	1.88	86	4.00
South Dakota	2.75	76	4.30
Tennessee	3.06	93	4.00
Texas	1.25	75	4.00
Utah	4.62	93	5.83
Vermont	6.28	86	8.58
Virginia	1.07	86	4.00
Washington*	9.26	84	13.15
West Virginia	4.60	81	6.65
Wisconsin	3.86	86	5.20
Wyoming	1.99	70	4.04

[1] States currently paying benefits indicated by asterisk (*). Massachusetts, New Jersey, Rhode Island, and Washington are paying benefits under both Public Law 93-53 and Public Law 93-233. Alaska and New York currently paying benefits under Public Law 93-233.

[2] Under Public Law 92-233 the percent of prior 2 yrs does not apply to triggering "on" or "off." However, any State which has not passed conforming legislation would be governed by the Public Law 91-373 requirement of 120 percent of the average of such rates for preceding 2 yrs.

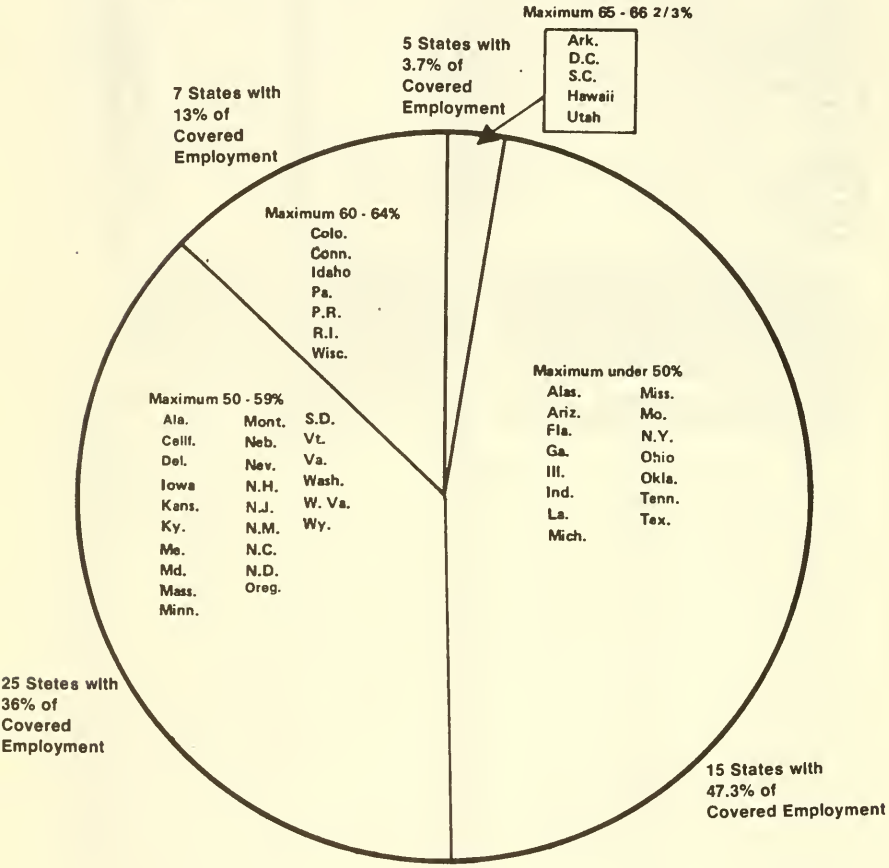
[3] Trigger indicators as of Mar. 2, 1974.

Source: U.S. Department of Labor, Manpower Administration.

VI. Data Relating to the Proposed "Job Security Assistance Act"

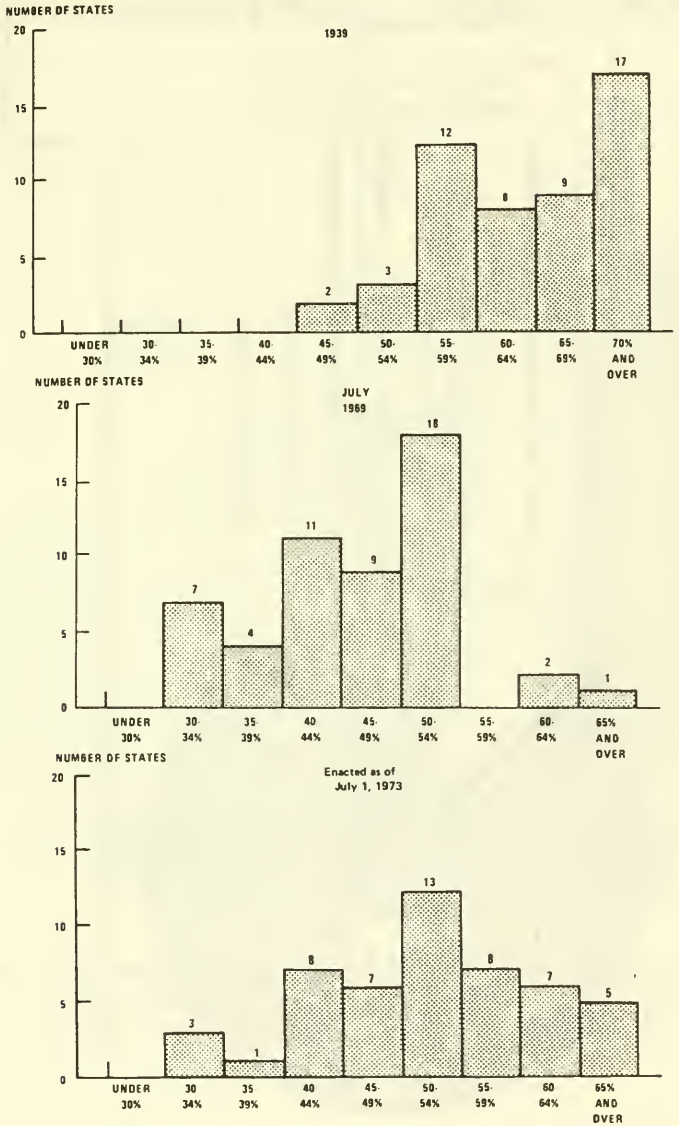
Maximum Weekly Benefit Amounts as Percents of States' Average Weekly Wages

(In effect as of April 1, 1974)



U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
Apr. 1, 1974

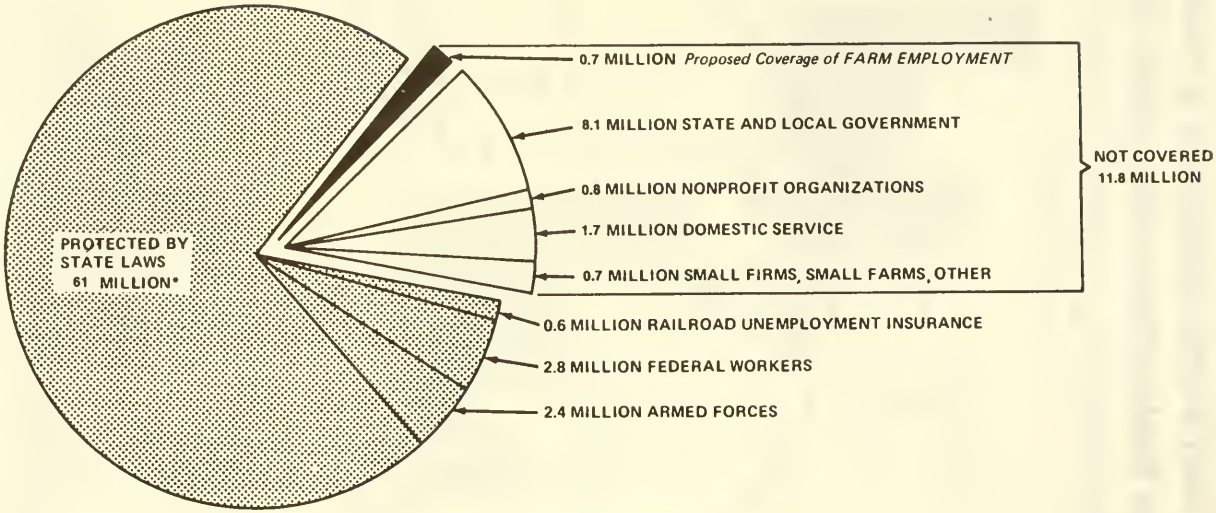
Maximum Weekly Benefit Amounts as a Percentage of Average Weekly Wages, 1939, 1969, 1973



U S DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION
July 1, 1973

PRESENT AND PROPOSED UNEMPLOYMENT INSURANCE COVERAGE OF WAGE AND SALARY EMPLOYMENT

Preliminary estimates for 1972



*INCLUDES 6.4 MILLION ADDED AS A RESULT OF 1970 EMPLOYMENT SECURITY AMENDMENTS (P.L. 91-373)

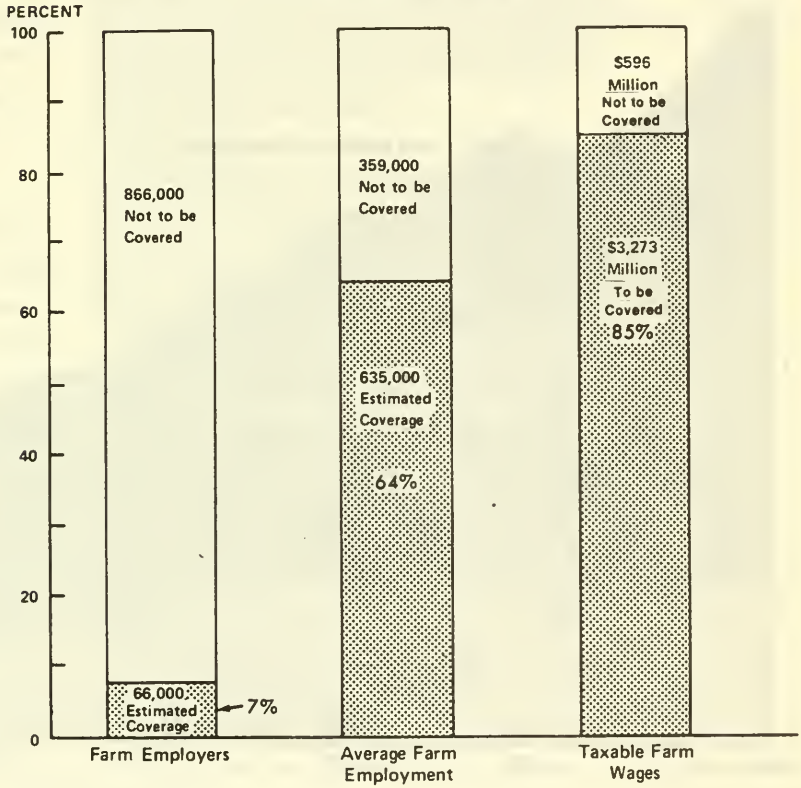
U.S. DEPARTMENT OF LABOR
Manpower Administration
April 1, 1974

EFFECT OF PROPOSED U.I. COVERAGE OF AGRICULTURAL WAGE AND SALARY EMPLOYMENT

1975

Four or more workers in 20 weeks or $5,000 payroll in a calendar quarter

–About 7% of all farm employers, about 64% of all farm employment, and 85% of all farm taxable wages



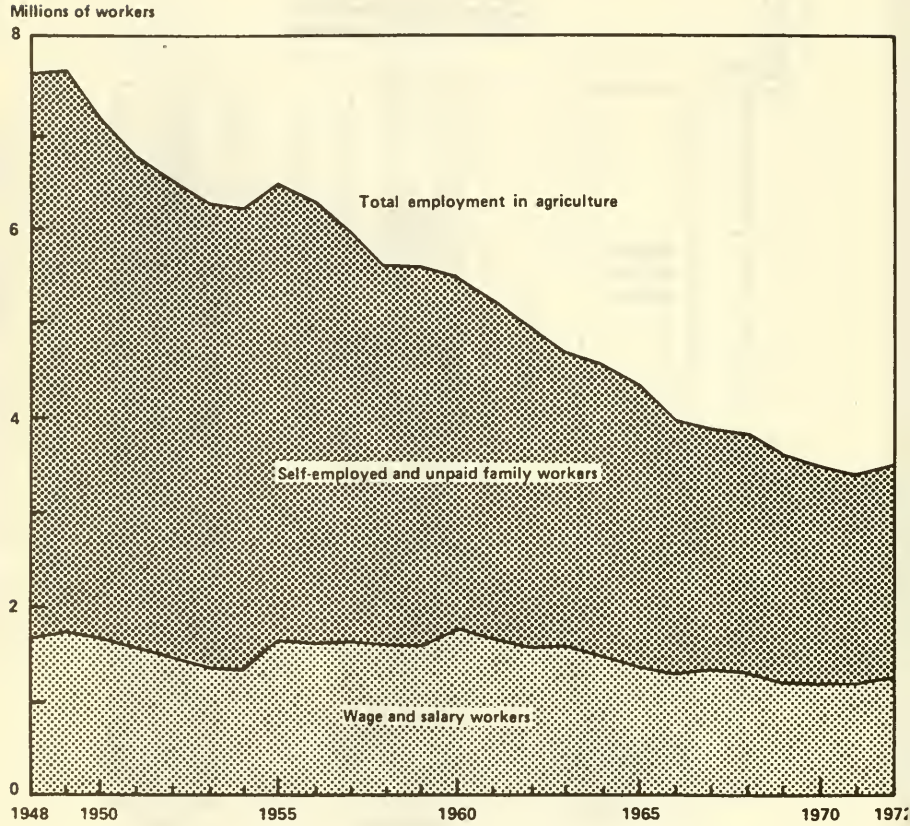
Source: Special studies by the U.S. Department of Labor, Manpower Administration, in collaboration with 18 states, including 12 land-grant universities

U.S. DEPARTMENT OF LABOR
Manpower Administration
July 1, 1973

EMPLOYMENT IN AGRICULTURE, 1948-72

(Annual averages)

The increasing dependence of the farm economy on hired farm labor emphasizes the need to afford such workers the same protection against unemployment available to workers in nonfarm industries.

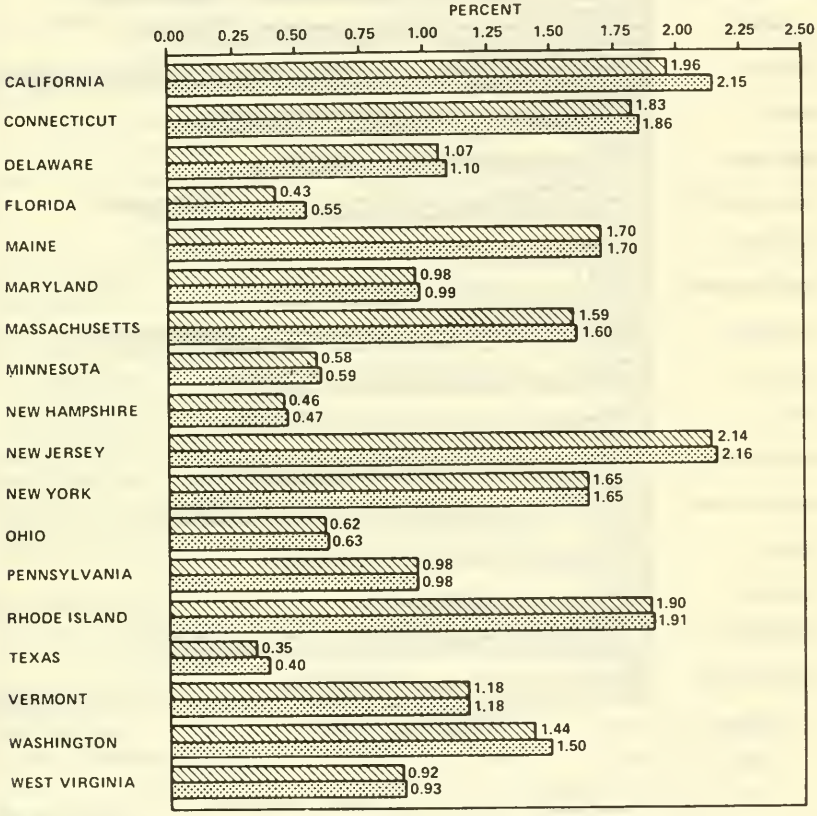


Source: U.S. Department of Labor, Bureau of Labor Statistics

U.S. DEPARTMENT OF LABOR
Manpower Administration
July 1, 1973

IMPACT ON THE BENEFIT COST RATE IN SELECTED STATES RESULTING FROM EXTENSION OF U.I. COVERAGE TO FARM EMPLOYMENT

Benefits paid as a percent of taxable wages, 1969[1/], with and without coverage of farm employment[2/]
(18 Study States)



1/ 1968 FOR WASHINGTON

2/ COVERAGE PROVISION FARM EMPLOYERS WITH 4 OR MORE WORKERS IN 20 WEEKS OR WAGES OF $5,000 IN A QUARTER

Sources (1) Handbook of UI Financial Data
(2) Special studies by the U.S. Departmant of Labor, Manpower Administration, in collaboration with 18 states, including 12 land-grant univarsities

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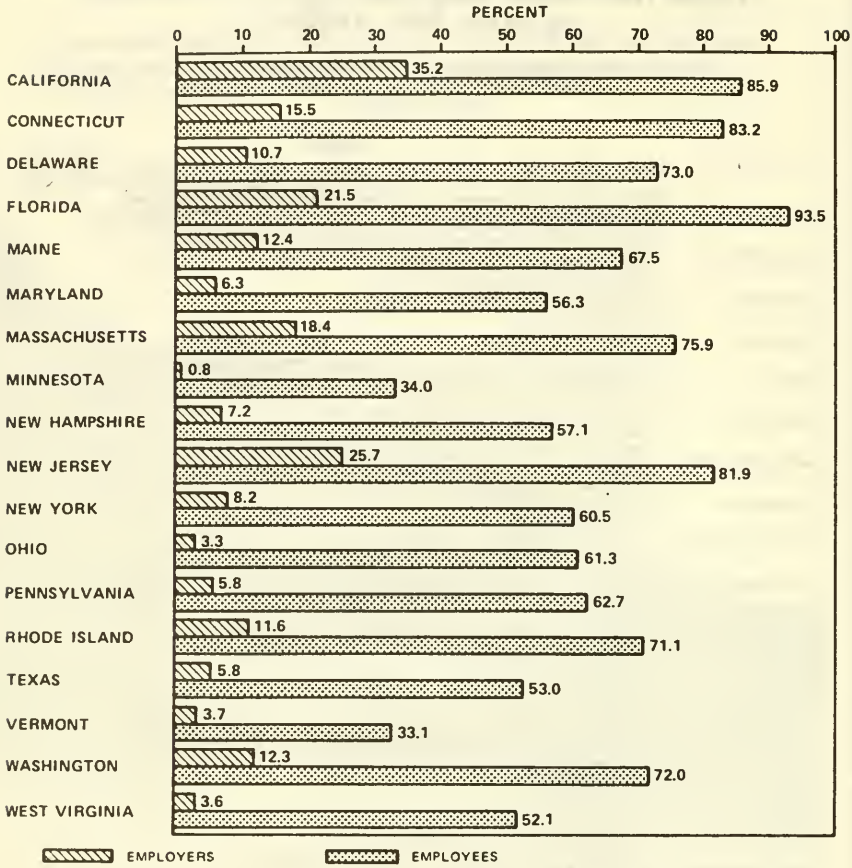
Percent of farm employers and workers included by covering employers with 4 or more workers in 20 weeks or wages of $5,000 in a quarter. 1969[1/]



[1/] 1968 FOR WASHINGTON

Source (1) 1969 Census of Agriculture
(2) Special studies by the U.S. Department of Labor, Manpower Administration, in collaboration with 18 states, including 12 land-grant universities

U.S. DEPARTMENT OF LABOR
Manpower Administration
July 1, 1973

DESIGNATED AREAS UNDER THE ADMINISTRATION'S SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM

ALABAMA

Birmingham area
Huntsville area
Mobile area
The rest of Alabama

ALASKA

* The entire State of Alaska

ARIZONA

Phoenix area
Tucson
The rest of Arizona

ARKANSAS

Little Rock-No. Little Rock area
The rest of Arkansas

CALIFORNIA

Anaheim-Santa Ana-Garden Grove area
Bakersfield area
* Fresno area
Los Angeles-Long Beach area
*Oxnard-Simi Valley-Ventura area
* Sacramento area
* Riverside-San Bernadino-Ontario area
* San Diego area
* San Francisco-Oakland area
* San Jose area
Santa Barbara-Santa Maria-Lomboc area
* Stockton area
* Vallejo-Fairfield-Napa area
* The rest of California

COLORADO

Denver-Boulder area
The rest of Colorado

CONNECTICUT

*Bridgeport area
Hartford area
New Haven area
The rest of Connecticut

DELAWARE

Wilmington area
The rest of Delaware

DISTRICT OF COLUMBIA

Washington, D.C. area

FLORIDA

Fort Lauderdale-Hollywood area
Jacksonville area
Miami area
Orlando area
Tampa-St. Petersburg area
West Palm Beach-Boca Raton area
The rest of Florida

See footnote at p. 84.

GEORGIA

Alanta area
Augusta area
The rest of Georgia

HAWAII

Honolulu area
*The rest of Hawaii

IDAHO

*The entire state of Idaho

ILLINOIS

Chicago area
Davenport-Rock Island-Moline area
Peoria area
Rockford area
The rest of Illinois

INDIANA

Evansville area
Fort Wayne area
Gary-Hammond-East Chicago area
Indianapolis area
South Bend area
The rest of Indiana

IOWA

Des Moines area
The rest of Iowa

KANSAS

Wichita area
The rest of Kansas

KENTUCKY

Lexington area
Louisville area
The rest of Kentucky

LOUISIANA

Baton Rouge area
New Orleans area
Shreveport area
The rest of Lousiana

MAINE

*The entire State of Maine

MARYLAND

Baltimore area
The rest of Maryland

MASSACHUSETTS

* Boston area
* Lawrence Haverhill area
* Springfield-Chicopee-Holyoke area
Worcester area
* The rest of Massachusetts

DESIGNATED AREAS UNDER THE ADMINISTRATION'S SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM—continued

MICHIGAN

Detroit area
* Flint area
Grand Rapids area
Kalamazoo-Portage area
Lansing-East Lansing area
* The rest of Michigan

MINNESOTA

* Duluth-Superior area
Minneapolis-St. Paul area
* The rest of Minnesota

MISSISSIPPI

Jackson area
The rest of Mississippi

MISSOURI

Kansas City area
St. Louis area
The rest of Missouri

MONTANA

* The entire State of Montana

NEBRASKA

Omaha area
The rest of Nebraska

NEVADA

* Las Vegas area
* The rest of Nevada

NEW HAMPSHIRE

The entire State of New Hampshire

NEW JERSEY

*Hackensack area
*Jersey City area
*Long Branch-Asbury Park area
*Newark area
*New Brunswick-Perth Amboy-Sayresville area
*Patterson-Clifton-Passaic area
Trenton area
*The rest of New Jersey

NEW MEXICO

Albuquerque
The rest of New Mexico

NEW YORK

Albany-Schenectady-Troy area
Binghamton area
Buffalo area
*Nassau-Suffolk area
New York City area
Rochester area
Syracuse area
*Utica-Rome area
Hackensack area
*The rest of New York

See footnote at p. 84.

NORTH CAROLINA

Charlotte-Gastonia area
Greensboro-Winston-Salem-High Point area
Raleigh-Durham area
The rest of North Carolina

NORTH DAKOTA

The entire State of North Dakota

OHIO

Akron area
Canton area
Cincinnati area
Cleveland area
Columbus area
Dayton area
Lorain-Elyria area
Toledo area
Youngstown-Warren area
The rest of Ohio

OKLAHOMA

Oklahoma City area
Tulsa area
The rest of Oklahoma

OREGON

Portland area
*The rest of Oregon

PENNSYLVANIA

Allentown-Bethlehem-Easton area
Erie area
Harrisburg area
*Johnstown area
Lancaster area
Philadelphia area
Pittsburg area
Reading area
*Scranton-Wilkes-Barre-Hazleton area
York area
*The rest of Pennsylvania

PUERTO RICO

San Juan area
*The rest of Puerto Rico

RHODE ISLAND

*Providence-Warwick-Pawtucket area
*The rest of Rhode Island

SOUTH CAROLINA

Columbia area
Charleston area
Greenville-Spartansburg area
The rest of South Carolina

SOUTH DAKOTA

The entire State of South Dakota

DESIGNATED AREAS UNDER THE ADMINISTRATION'S SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM—continued

TENNESSEE

Chattanooga area
Knoxville area
Memphis area
Nashville-Davidson area
The rest of Tennessee

TEXAS

Austin area
Beaumont-Port Arthur-Orange area
Corpus Christi area
Dallas-Fort Worth area
El Paso area
Houston area
San Antonio area
The rest of Texas

UTAH

Salt Lake City-Ogden area
*The rest of Utah

VERMONT

*The entire State of Vermont

VIRGINIA

Newport News-Hampton area
Norfolk-Portsmouth-Virginia Beach area
Richmond area
The rest of Virginia

WASHINGTON

*Seattle area
*Spokane area
*Tacoma area
*The rest of Washington

WEST VIRGINIA

Charleston area
Huntington-Ashland area
The rest of West Virginia

WISCONSIN

Appleton-Oshkosh area
Madison area
Milwaukee area
The rest of Wisconsin

WYOMING

The entire State of Wyoming

*States and areas potentially qualified for special benefits under tite II of the administration's proposal on the basis of average insured unemployment rates of 4.5 percent or more for the 13-week period ending Feb. 2, 1974. None of the other areas would qualify under the 4-percent and 120-percent eligibility provision.

Mr. ULLMAN. Our first witness this morning is Hon. Richard F. Schubert, Under Secretary of Labor. After his testimony, we will then receive testimony from the interested public.

Mr. Schubert, welcome to the committee. We are happy to have you here. We will be glad to hear you.

STATEMENT OF HON. RICHARD F. SCHUBERT, UNDER SECRETARY OF LABOR, ACCOMPANIED BY WILLIAM KOLBERG, ASSISTANT SECRETARY; RALPH ALTMAN, DIRECTOR, OFFICE OF PROGRAM POLICIES AND LEGISLATION, UNEMPLOYMENT INSURANCE SERVICE; ROBERT C. GOODWIN, ASSOCIATE MANPOWER ADMINISTRATOR FOR UNEMPLOYMENT INSURANCE; AND LAWRENCE WEATHERFORD, DEPUTY ASSOCIATE MANPOWER ADMINISTRATOR FOR UNEMPLOYMENT INSURANCE

Mr. SCHUBERT. Thank you, Mr. Chairman.

I am pleased to present the views of the Department of Labor on legislation to improve the Nation's unemployment compensation laws.

The Federal-State unemployment compensation system is one of the earliest and most successful examples of Federal-State partnership to help meet the Nation's important social and economic needs. It is perhaps the most effective means of assisting workers who are temporarily unemployed. Over the past several decades, many changes have been made to render it more effective in serving the American worker and the Nation's economy.

It is clear, however, that more needs to be done. It is for this reason that in May 1973, the administration transmitted to the Congress draft legislation entitled the, "Job Security Assistance Act," which was introduced as H.R. 8600.

In February of this year, the administration resubmitted its 1973 proposal in a new draft bill entitled the, "Job Security Assistance Act of 1974." This bill includes a new title II, which would establish a temporary federally financed program of special unemployment compensation for those unemployed during the energy shortage. This program is intended as an alternative to other programs now being considered by the Congress to provide assistance to workers affected by the energy shortage.

Before discussing the specific provisions of the administration proposal, I would like to say a few words about its underlying philosophy.

Over the last several years, a veriety of bills have been introduced in the Congress to provide special unemployment benefits to individuals who are unemployed due to an assortment of special causes. In our judgment, the strengthening of the basic UI system would remove the need and pressures for a proliferation of special purpose unemployment compensation programs. Basic improvements in this system would treat the hardships faced by unemployed workers equally. Workers served adequately under the basic program would have no reason to be concerned about any special treatment given to a neighbor or coworker who happened to be unemployed for reasons that were in style at that particular time. Moreover, the integrity of the unemployment insurance system would be preserved.

I recognize that many of these special programs have been proposed because of gaps and inadequacies in the present system. Title I of the administration bill attempts to deal with some of these problems. I also recognize that changes in the basic unemployment insurance system require careful consideration at the Federal level and some lead-time for the States to make appropriate changes in their laws. The administration has therefore proposed in title II of its bill a temporary program to deal with unemployment problems caused by near-term economic conditions, including the energy shortage. The administration proposal would not do violence to fundamental unemployment insurance concepts.

Improvement of the basic system remains a matter for priority consideration, and I would like to discuss with you some of the changes which we propose to make. It is clear that unemployment insurance cannot be a truly effective means of restoring individual wage losses or maintaining consumer purchasing power within our economy unless benefit levels are reasonably related to wage levels.

At the present time, Federal law does not require that State laws provide minimum benefit levels. States generally have adopted the principle that wage loss restoration for a worker should be at least 50 percent of his average weekly wage. All State laws have maximums or ceilings, however, which in many cases prevent workers from receiving the "half-pay" guarantee.

In 1969 the President called upon the States to amend their laws to provide more realistic benefit levels. There has been some progress. However, even in fiscal 1973, when the claimant mix included fewer high-paid and more low-paid workers, almost two-fifths of these workers found themselves prevented from receiving half-pay by State law ceilings.

The administration bill would require that State laws provide an eligible individual with a weekly benefit amount equal to at least 50 percent of his average weekly wage up to a State maximum which must be at least 66⅔ percent of the average weekly wage of covered workers in the State.

Such a standard would assure that at least 80 percent of insured workers would receive at least one-half of their average weekly wage when they are unemployed. States would retain wide latitude to make changes and improvements in their benefit formulas, so long as the minimum levels established in the bill are met.

Another important aspect of the administration bill is its expansion of coverage to larger farms. In 1935, when the original Federal law was enacted, it was not deemed administratively feasible to include farmworkers within the system. At that time there were many thousands of family-operated subsistence farms which kept no payroll records.

The extension to farms and farmworkers of income and social security taxes and related withholding have removed any valid basis to the argument that extension of the Federal unemployment tax to larger farms is not administratively feasible. Moreover, many of the agricultural enterprises which would be covered under the administration bill are already covered under FUTA and State unemployment insurance laws with respect to their nonfarm employment.

32-711—74——7

The administration bill would extend FUTA to cover farm employers who, during the current or preceding calendar year, employed four or more workers in each of 20 weeks or who paid $5,000 in wages in a calendar quarter. We estimate that the bill would cover approximately 66,000 farms or about 7 percent of all farm employers, but would bring about two-thirds of all farmworkers—approximately 635,000—into the system.

I urge that this needed step be taken at the earliest possible time.

Mr. Chairman, other categories of workers remain outside the unemployment compensation laws. These include State and local government employees and domestic workers. Coverage of each of these groups raises substantial complexities which are being studied.

Title I of the administration bill also includes provisions to provide revenue for repayment of advances made under the emergency compensation program, to change the method of allocating costs between the Federal Government and the States under the Federal employee and ex-servicemen program, and to preserve the neutrality of the unemployment insurance system in labor dispute situations.

I have attempted to discuss some of the changes which may be made to improve the Federal-State unemployment compensation system. Permanent improvements in the system will relieve the pressures for special purpose provisions which can only undermine it. We know that permanent changes cannot be made in sufficient time to permit an immediate response to short-term unemployment problems which may arise.

We have proposed, as title II of our bill, a temporary program to meet this need. As I have indicated, our program would not do violence to fundamental unemployment insurance concepts.

It may be asserted by some that the ending of the oil embargo has rendered any special program unnecessary. I cannot agree. It is logical to anticipate that unemployment attributable to energy shortages will decline over the next several months on an overall basis. There may, however, be local area unemployment problems over the next several months resulting from continuing shortages, adjustments in prices, and conversion from one form of energy to another.

These problems are impossible to anticipate fully or to predict. To meet them, the administration is proposing what is, in effect, a standby program which will become effective in areas as the need may arise. If the number of pockets of severe unemployment decreases, then the response by this anticipatory mechanism will automatically adjust accordingly.

I would like now to trace the broad outlines of the administration's proposal in comparison with other legislative approaches which have been put forward. Both H.R. 13834, as introduced by Congressman Staggers and other recently introduced proposals contain provisions which condition eligibility for benefits on a determination that the claimant's unemployment resulted from energy shortages.

In contrast, the administration's proposal does not distinguish between those who are unemployed due to energy shortages and those whose unemployment results from other causes. The administration's bill would provide benefits to all eligible unemployed workers in

areas experiencing high unemployment. Each State would be divided into areas which would include: (1) those portions of the State which were in labor market areas of 250,000 population or more, and (2) the balance of the State.

When, for a 13-week period, the insured unemployment in any of these areas equaled or exceeded 4.5 percent or when it rose to 4 percent and equaled or exceeded 120 percent of the unemployment in the comparable period in the year October 1, 1972, through September 29, 1973, the area would "trigger on" and eligible unemployed workers would be entitled to benefits.

The administration's proposal is based on the reasonable assumption that if insured unemployment in an area is at a high level, or has increased substantially, unemployed persons in that area will have special difficulties in locating new jobs. It is directed thus toward meeting the actual effects which current economic conditions may have on workers.

The administration's proposal would not provide special benefits for workers unemployed as a result of energy shortages in low unemployment areas as other proposals would. These workers should not experience abnormal difficulty in obtaining suitable employment, since there is less competition for jobs in their areas of work.

Moreover, as I have stated previously, it would be inequitable to provide special benefits to these individuals while denying them to similarly situated individuals whose unemployment was due to other causes.

Requiring a causal relationship between energy shortages and a worker's unemployment involves other inherently inequitable elements. The Secretary would, under such legislation, prescribe regulations attempting to assure uniformity in making these causality determinations.

In the final analysis, however, these determinations must be made by individual examiners at the local level. The examiner would be required to make the most complex of economic judgments. He would be required to determine the importance of energy as a cause of unemployment in relation to seasonal industry patterns, cyclical economic conditions, and all other special factors affecting that particular industry, plant, or shop. His decision would inevitably be influenced by his own economic sophistication, the amount of time he has for investigation, and the adequacy of information received from employers.

The differing policies of the State or the individual unemployment office would invariably enter into these decisions. In no other program, including the disaster relief program and the trade adjustment assistance program is the examiner called upon to make such complex and elusive judgments. Notwithstanding any guidance that the Secretary of Labor may provide, it can be anticipated that the nature of these factual determinations will vary widely from State to State, office to office, examiner to examiner. It may even be difficult for the same examiner to apply the rules with consistency.

The vast administrative burdens and expenses of a "causality" approach should not be underestimated. If such a program were to be-

come law, it would be to the advantage of every unemployed individual to assert that the energy shortage was a cause of his unemployment. The employer would gain nothing by making a contrary assertion. Each such claim would have to be carefully checked. This could require, for example, examining the records of the individual employer. It is difficult to estimate what the resulting administrative costs would be. We have never had a special program imposing such complex and large-scale demands on local unemployment offices.

However, it can be clearly anticipated that extensive resources more properly utilized for other purposes would be needlessly consumed in making administrative determinations and in court reviews resulting from uneven application of the statutory standards. The delays inherent in such an approach are likely to be considerable. By contrast, the administration's approach would eliminate these administrative burdens and expenses and would be evenly and consistently applied.

The administration's bill would apply to unemployed individuals who have exhausted their entitlement to unemployment compensation, including any extended benefits, and those who are not eligible for such compensation. A comparable approach is taken in H.R. 13834.

The administration's bill would require as a condition of eligibility, that an individual have a substantial attachment to the labor force. We believe that such attachment is a necessary criterion in order to preserve the fundamental concepts of unemployment insurance.

H.R. 13834 provides that the Secretary may require up to 1 month of attachment in a year period as a condition of eligibility. The administration believes that a Federal 1-month requirement is not appropriate. In order to assure maximum consistency with the unemployment insurance system, the standards of the State law should apply.

H.R. 13834 provides benefits which would extend to the end of the program in July 1975. In our view, this approach is inadvisable. It will be recalled that in a typical State, an unemployment compensation recipient may be entitled to up to 26 weeks of regular benefits and 13 weeks of extended benefits if the extended program is in effect in that State. To add so extensive a program of additional special benefits is a complete departure from the concept of unemployment compensation as a temporary support for workers who are between jobs and inhibits the movement of workers to areas and sectors of employment growth.

Under H.R. 13834, duration of benefits is not tied to the employee's prior attachment to the labor force. Here again, these bills reflect a departure from some unemployment insurance concepts.

Under the administration's bill, unemployment insurance exhaustees would receive a maximum of 13 weeks of special benefits and individuals ineligible for unemployment insurance would receive no more than 26 weeks of benefits. Actual benefit durations would be tied to the individual's prior attachment to the labor force. The standards would be those of the applicable State law.

H.R. 13834 specifies benefit levels with respect to unemployment insurance exhaustees, however, it allows the States, within wide parameters to determine benefit levels as to those not eligible for un-

employment insurance. The administration's bill would tie benefit levels directly to the requirements of the applicable State law. The Congress may not wish to write a blank check on so important a feature of the proposed program.

I have attempted to outline some of the principal features of the administration's proposal and to discuss some of the major problems inherent in alternative approaches that are before the Congress. The administration's bill reflects a careful attempt to spell out the rights of claimants with as much precision as possible and to leave as limited a range of questions as possible to administrative discretion. It provides for a program which is fair and equitable and imposes only reasonable administrative burdens on officials responsible for its implementation.

Mr. Chairman, I urge your early and favorable consideration of this important program and the other provisions of the administration's Job Security Assistance Act of 1974.

I thank you for the opportunity to present my views and would be pleased to answer any questions that you may have.

To my right, Mr. Chairman, is Assistant Secretary Bill Kolberg; to his right is Ralph Altman our Director of Policy Development, Unemployment Insurance Service. At the far end is Larry Weatherford who is Deputy Associate Manpower Administrator for Unemployment Insurance. I left out Bob Goodwin, because I would like to make a personal comment about him.

Bob, as many on the committee know, has been our Associate Manpower Administrator for many years and prior to that, Director of the Bureau of Employment Security. This will undoubtedly be Bob's last appearance before a congressional committee, but he has labored long and hard across at least 25 years in this area. We are having a retirement get-together for him in the very near future, but I did want to note for the committee that he will be leaving us and we do wish him well, as I know you and the staff do.

Mr. ULLMAN. Thank you very much, Mr. Secretary.

Mr. Goodwin, we have had you before the committee many, many times. Your advice has been good and invaluable throughout the years. You have had a long, long record of public service and we wish you the very best in your retirement. We want you to know we will miss you here.

The purpose of these hearings is to gather public views concerning the need to strengthen the existing unemployment compensation program at a time when it is being very seriously tested. Although opinions differ in detail, most would agree that the unemployment compensation program, despite its imperfections has proven itself in past periods of economic stress as the most effective weapon we have in our arsenal of programs to protect the American worker against the adverse effects of recession.

I am confident that the program will meet future tests in that regard.

The irony of high unemployment and galloping inflation—at annual double digit rates in recent months—continues to baffle all of us. Dire-

predictions of a recession are again being heard. While these predictions are not always right, we have to be prepared for them.

The part of the unemployment compensation program that has concerned us the most in the past 2 years is the Federal-State Extended Unemployment Compensation Act. The State trigger mechanism has not operated as effectively as we anticipated it would when it was being developed by the committee. Particularly the requirement that a State's insurance unemployment rate must be at least 20 percent higher than it was in the prior 2 years has had the effect of making the program inoperative in many States that have had sustained high insured unemployment rates.

My friend from Massachusetts, Mr. Burke, has tried many times to change this. I would hope that some suggestions will be made during these hearings to correct the basic flaw in the State trigger machanism or to provide a more workable alternative to it.

This committee's hearings are under great pressure timewise and I hope all of the witnesses will limit their presentations as much as possible. I hope that the members also will not be repetitious in asking their questions.

Mr. Secretary, some of your proposals give me some concern.

A basic concept of unemployment compensation has always been that benefits would be paid uniformly through a State. The program has always been based on that idea.

How then does the concept of paying special benefits in an area or part of the State square with this basic concept? What evidence do you have—what assurance can you give us—that paying benefits in an area rather than a State will not create administrative problems which would be more than the system could stand?

Mr. SCHUBERT. The basic concept is grounded in the premise that an entire State is not always affected by cyclical, seasonal, or special problems such as the energy shortfall in the same fashion and that consequently there are within the confines of the States, special problems with unique characteristics that prevent employees who are laid off in one segment of industry from finding ready assimilation in other segments of industry. We, therefore, have to address such unemployment on a contingency basis.

We believe that our proposal minimizes any adverse affect on the system. It provides special relief to those areas of the country where in fact there is a need, without doing violence to the system.

We don't see any other program that has been surfaced that meets those needs in quite the same fashion.

Mr. ULLMAN. Reiterate again for me the trigger mechanism you are using.

Mr. SCHUBERT. There is a dual trigger here. One relates to a level of unemployment in the area as measured by unemployment insurance claims. The other relates both to level of unemployment and to a comparison with unemployment over a base period prior to the energy shortage. In program areas where either one of the tests were met, we would trigger the program on for a 13-week period.

Mr. KOLBERG. Could I supplement? The notion of an area trigger is not new to the Congress. In the Emergency Employment Act passed 2½ years ago, there was a section 6 which provided for an area trigger.

The new Comprehensive Employment and Training Act passed in December, title II, has a trigger relating to funds available for public employment in rather small areas. That trigger is set at 6½ percent national unemployment rate.

So, the State employment security agencies are becoming much, much more sophisticated in the area concept, not just the SMSA as we are talking about here, but in areas much smaller than that.

We think that is the direction to go, that unemployment does find itself in differential rates within a State. We need to find ways of targeting public assistance, whether it be unemployment assistance or other public programs, in a much more precise way than we have in the past.

Mr. ULLMAN. Doesn't it concern you that there are many areas where there are severe pockets of unemployment that could not be triggered in because they have less than the 250,000 minimum population that you defined?

Mr. KOLBERG. That does concern us, Mr. Chairman. We were trying to make a break between the problems you were raising of administrative feasibility on the one hand, the ability to collect reliable data in order to guide our decisions and, on the other hand, the need to try to pinpoint.

We picked the 250,000 population area, 185 areas therefore, in order to have prompt and reliable data for using the trigger. Your point is well taken.

If we had good data to go below that, in other words, to cut the size of those areas, I think that is what we would prefer to do, but I would say to the committee that as of today I don't think we have that kind of data.

As we get to smaller areas, I would feel less and less sure that the administrative problems you point out could be surmounted.

Mr. SCHUBERT. If I might add another thing, I think your point, Mr. Chairman, illustrates the necessity to move to subnational data in a variety of statistical programs. We have as a consequence of CETA and other revenue sharing approaches run into recurrent need for improving the data in subnational aspects.

We are in the process of attempting to do so. Ultimately it may be highly desirable as you suggest to move to a lower threshold, but we need better data in order to accomplish that.

Mr. ULLMAN. In this age of computerization, with all the experience we have had, it is difficult for me to understand why we could not put together that kind of data.

Mr. SCHUBERT. That kind of data often requires surveys, surveys which in turn require time and the passage of time for comparison purposes. We are in the process right now, Mr. Chairman, of updating and improving local area data. We anticipate we will be able to reflect

that data in our programs. But we have today an energy shortfall that needs addressing immediately.

Mr. KOLBERG. In other words, Mr. Chairman, we had a need to move and move quickly, so we planned to use the data we had. We are working with the Bureau of Labor Statistics now and will be presenting to the Congress a supplemental request so that by the end of next year we will have much better data collected by census on behalf of the Bureau of Labor Statistics. Then we will have the kind of data you suggest.

I don't believe it is methodology problems or computer problems nearly as much as it is to get out and do the microsurveys necessary.

Mr. ULLMAN. What is the duration of your recommendation? Is it a permanent program?

Mr. KOLBERG. Title II of this act would expire at the end of fiscal 1975. It is a temporary program.

Mr. ULLMAN. One fiscal year.

Mr. KOLBERG. When we presented it, it would have been for 18 months. Now it is down to about 15 months.

Mr. ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Thank you, Mr. Chairman.

Bob Goodwin, I also would like to reflect the thought of some of us who are "old timers" on the committee that we will miss your counsel very much. I know that Chairman Mills would like me to reflect that thought. You have worked with him, I know, for many years. I hope you will come around to see us once in a while.

Mr. GOODWIN. Thank you.

Mr. SCHNEEBELI. You know the reluctance on the part of some committee members in the past in approaching this problem of federalizing benefits.

Certainly before we act on any new programs, I think we ought to have a good analysis of the financial condition of the unemployment compensation trust account.

We also should know what the impact on State accounts would be if some of this legislation were adopted, how the reserves would be affected, et cetra. I think this information would be very important in consideration of any change.

I wonder if you could provide that for the record, either now or make it available for us when we get into executive session?

Mr. SCHUBERT. We will be happy to do that, Mr. Congressman.

Mr. SCHNEEBELI. We have seen some of these accounts deteriorate in the past. We don't want to see this brought on again as a result of this legislation.

Mr. SCHUBERT. I think some of it is currently available in the work we have done over the weekend and we will supplement that.

Mr. SCHNEEBELI. We would like information as complete as possible.

Mr. KOLBERG. Mr. Schneebeli, on page 64 of the committee print you have the latest rundown State by State of the amount of funds in each State unemployment insurance fund.

Mr. SCHNEEBELI. They are the reserves at the present time?

Mr. KOLBERG. That is correct. I believe it is down from $12½ billion in 1969 to $10.9 billion in 1973. I think our general judgment would be that overall the funds are in good shape, although there are several States that have had some continuing problems.

Mr. SCHNEEBELI. Would it be helpful to show a trend here, what they were in 1964, 1972, 1973, and 1974 and what would take place in the event this legislation were adopted?

Mr. KOLBERG. Yes.

Mr. SCHNEEBELI. I think that would be helpful.

[The information follows:]

Enclosure 1A is a tabulation showing reserves as of December 31, in 1964, 1972, and 1973, the most recent data available. *Enclosure 1B* provides some indicators of the effect that farm coverage and benefit amount standards might have on State reserve funds for the initial year of experience. Because the actual effective dates provided in the Administration's bill—January 1, 1976, for farm coverage and July 1, 1976, for the benefit amount standards—would first produce an impact on State reserves in 1977 and 1978, it has not been feasible to develop valid estimates of the individual State reserves so far in the future. However, for each State, enclosure 1B provides an estimate of what the dollar balance in the reserve would have been on December 31, 1973, if 1973 had been the first year of benefit impact of farm coverage and benefit amount standards.

The estimated December 31, 1973, balance is compared with the actual balances on that date and on December 31, 1972. Obviously, the higher maximums required in most States by the standards would result in higher benefit expenditures and a lowered year-end balance—for the first year. Nevertheless, the estimated 1973 reserve balance would be higher than the actual 1972 balance in 37 States. In eight of the other 15 States, the actual 1973 balance was lower than 1972's: two of these already meet the benefit standards. The only State which would have had a negative balance on December 31, 1973, is Washington—and in fact Washington had received advances from the Federal loan account in 1972 and 1973 and has received additional advances in 1974.

There are five States in which the benefit standards would increase costs by 20 to 25 percent. The decrease in the 1973 balances of those five States would have ranged from 1.1 to 8.8 percent. Three of the five would still have had higher reserves at the end of 1973 than at the end of 1972. In two additional States, where costs would increase by more than 25 percent, the 1973 balances would have decreased by 4.0 percent in one case and 8.6 percent in the other. Even so, 1973 year-end reserves in both States would have been higher than 1972 year-end reserves.

The estimated balance at the end of 1973 is based on certain assumptions. For farm coverage, taxable payrolls and benefit costs were derived from the farm study data, and farm employer contributions were computed using State tax rates for new employers. After farm employers have the required period of coverage (which varies from State to State) their tax rates will be based on their experience, and the result may be to increase or decrease the total of farm contributions.

In estimating the effect of bnefit standards, it was assumed that States would enact the increased benefits but make no changes in their tax provisions. Even on that assumption, however, the increae in benefit expenditures would automatically result in upward adjustments in collections during the second and succeeding years of operation under the benefit standards, except in Puerto Rico which has no experience rating and in those few States in which the *amount* of benefits paid to his former workers is not a factor in determining employer tax rates. In addition, in most States the overall balance in the State reserve (either in dollar figures or in relation to some measure of fund adequacy) is a factor in determining tax rates. For example, benefit expenditures in 1972 were generally higher than those in 1971, and as a result 24 States, including Puerto Rico, had lower dollar reserves on December 31, 1972, than on December 31, 1971. For 16

of these States, the estimated average rate for 1973 was higher than for 1972, and for seven, including Puerto Rico, it was the same as in 1972.

We cannot predict what the average tax rates would be in each State for the second or succeeding years after the benefit increase. Projections of future benefits and their impact on tax rates are a normal part of long-range benefit financing studies undertaken by individual States, but involve too many variables for the national office to be able to do.

ENCLOSURE 1A UNEMPLOYMENT INSURANCE: FINANCIAL DATA

[In thousands of dollars]

	Reserves as of Dec. 31		
	1973	1972	1964
United States	10, 933, 937	9, 422, 799	7, 296, 257
Alabama	122, 888	110, 838	78, 858
Alaska	42, 067	40, 541	11, 267
Arizona	153, 965	134, 864	66, 486
Arkansas	63, 468	52, 049	28, 862
California	1, 214, 457	967, 704	656, 011
Colorado	115, 636	112, 618	57, 436
Connecticut	[1] 40, 846	[2] 22, 950	180, 068
Delaware	38, 901	27, 220	19, 558
District of Columbia	50, 087	59, 503	63, 525
Florida	344, 008	302, 313	157, 086
Georgia	448, 591	399, 327	173, 934
Hawaii	25, 307	26, 162	19, 282
Idaho	54, 118	48, 519	28, 351
Illinois	423, 769	258, 022	489, 900
Indiana	378, 667	324, 536	164, 887
Iowa	120, 490	110, 035	112, 049
Kansas	114, 984	82, 245	62, 149
Kentucky	201, 179	180, 058	111, 814
Louisiana	118, 515	117, 861	113, 598
Maine	28, 895	21, 231	30, 160
Maryland	146, 929	135, 607	148, 658
Massachusetts	212, 001	198, 366	197, 936
Michigan	564, 450	383, 738	414, 401
Minnesota	92, 153	82, 115	23, 031
Mississippi	111, 217	94, 397	49, 597
Missouri	236, 366	230, 723	220, 055
Montana	23, 313	23, 901	20, 034
Nebraska	59, 295	54, 496	42, 119
Nevada	31, 420	27, 781	29, 407
New Hampshire	58, 552	51, 068	25, 968
New Jersey	154, 844	137, 728	292, 330
New Mexico	42, 661	39, 719	35, 109
New York	1, 346, 142	1, 197, 955	1, 172, 276
North Carolina	516, 039	455, 853	217, 091
North Dakota	18, 236	15, 204	7, 608
Ohio	768, 055	625, 778	232, 727
Oklahoma	55, 934	42, 372	44, 270
Oregon	122, 949	110, 607	85, 861
Pennsylvania	594, 570	589, 868	238, 641
Puerto Rico	31, 420	34, 132	50, 708
Rhode Island	33, 427	41, 637	46, 246
South Carolina	216, 407	183, 424	86, 855
South Dakota	23, 103	21, 446	15, 132
Tennessee	296, 396	246, 693	87, 062
Texas	328, 613	291, 300	237, 923
Utah	53, 055	49, 839	38, 274
Vermont	3, 099	6, 060	6, 793
Virginia	245, 739	227, 745	136, 919
Washington	[1] 6, 482	[2] 16, 395	199, 861
West Virginia	114, 411	108, 134	59, 713
Wisconsin	301, 366	278, 290	199, 935
Wyoming	24, 454	21, 834	8, 436

[1] Reflects $53,500,000 advance to Connecticut and $40,700,000 to Washington from Federal unemployment account in the unemployment trust fund.

[2] Reflects $31,800,000 advance to Connecticut and $34,700,000 to Washington from Federal unemployment account in the unemployment trust fund

ESTIMATED EFFECT ON 1973 STATE RESERVES, ASSUMING BENEFIT IMPACT OF FARM COVERAGE AND BENEFIT STANDARDS

[Dollar amounts in thousands]

State	Benefit costs 1973 (1)	Net agricultural costs (2)	Benefit standards costs (percent) (3)	Benefit standards costs (4)	Net agricultural costs and benefit standards costs (2+4) (5)	Reserves as of Dec. 31, 1973 [1] (6)	Estimated reserves as of Dec. 31, 1973 (6−5) (7)	Reserves as of Dec. 31, 1972 [1] (8)	Percent change reserves 1973 to estimated 1973 (9)	Percent change reserves actual 1972 to estimated 1973 (10)
Total	$4,007,561	$69,120		$483,285	$552,405	$10,933,936	$10,381,351	$9,422,801	−5.1	10.2
Alabama	33,480	−103	13.1	4,386	4,283	122,888	118,605	110,838	−3.5	+7.0
Alaska	18,541		20.0	3,708	3,708	42,067	38,359	40,541	−8.8	−5.4
Arizona	20,183	+288	29.1	5,873	6,161	153,965	147,804	134,864	−4.0	−5.4
Arkansas	20,344	+2,415	0		2,415	63,468	61,053	52,049	−3.8	−17.3
California	593,064	+44,948	9.5	56,341	101,289	1,214,457	1,113,168	967,704	−8.3	+15.0
Colorado	16,614	+2,628	3.0	498	3,126	115,636	112,510	112,618	−2.7	−.1
Connecticut [2]	117,610	+565	4.7	5,528	6,093	40,846	34,753	22,950	−14.9	+51.4
Delaware	9,922	+33	7.9	784	817	38,901	38,084	27,220	−2.1	+39.9
District of Columbia	26,542		0			50,087	50,087	59,503		−15.8
Florida	39,682	+5,003	13.1	5,198	10,201	344,008	333,807	302,313	−3.0	+10.4
Georgia	31,700	−829	15.3	4,850	4,021	448,591	444,570	399,327	−.9	+11.3
Hawaii	26,349		0			25,307	25,307	26,162		−3.3
Idaho	12,404	+11	6.0	744	755	54,118	53,363	48,519	−1.4	+10.0
Illinois	176,194	−695	14.8	26,077	25,382	423,769	398,387	258,022	−6.0	+54.4
Indiana	44,054	+257	23.3	10,265	10,522	378,667	368,145	324,536	−2.8	+13.4
Iowa	27,180	+872	10.5	2,854	3,726	120,490	116,764	110,035	−3.1	+6.1
Kansas	19,916	+641	11.0	2,191	2,832	114,984	112,152	82,245	−2.5	−36.4
Kentucky	42,991	−24	15.5	6,664	6,640	201,179	194,539	180,058	−3.3	+8.0
Louisiana	62,240	+879	14.1	8,776	9,655	118,515	108,860	117,861	−8.2	−7.6
Maine	22,072	+10	7.7	1,700	1,710	28,895	27,185	21,231	−5.9	+28.0
Maryland	57,575	+18	8.9	5,124	5,142	146,929	141,787	135,607	−3.5	+4.6
Massachusetts	240,839	+146	7.8	18,785	18,931	212,001	193,070	198,366	−8.9	−2.7
Michigan	183,064	+2,073	25.3	46,315	48,388	564,450	516,062	383,738	−8.6	+34.5
Minnesota	67,279	+478	5.3	3,566	4,044	92,153	88,109	82,115	−4.4	+7.3
Mississippi	11,050	+1,474	19.2	2,122	3,596	111,217	107,621	94,397	−3.2	+14.0
Missouri	68,057	+2,195	21.2	14,428	16,623	236,366	219,743	230,723	−7.0	−4.8
Montana	11,720	+3	17.1	2,004	2,007	23,313	21,306	23,901	−8.6	−10.9
Nebraska	15,502	−515	6.2	961	446	59,295	58,849	54,496	−.8	+8.0

See footnotes at end of table.

ESTIMATED EFFECT ON 1973 STATE RESERVES, ASSUMING BENEFIT IMPACT OF FARM COVERAGE AND BENEFIT STANDARDS—Continued

[Dollar amounts in thousands]

State	Benefit costs 1973 (1)	Net agricultural costs (2)	Benefit standards costs (percent) (3)	Benefit standards costs (4)	Net agricultural costs and benefit standards costs (2+4) (5)	Reserves as of Dec. 31, 1973 [1] (6)	Estimated reserves as of Dec. 31, 1973 (6—5) (7)	Reserves as of Dec. 31, 1972 [1] (8)	Percent change reserves 1973 to estimated 1973 (9)	Percent change reserves actual 1972 to estimated 1973 (10)
Nevada	23,199	−23	13.9	3,225	3,202	31,420	28,218	27,781	−10.2	1.6
New Hamshire	7,786	−14	2.1	164	150	58,552	58,402	51,068	−.3	+14.4
New Jersey	319,844	+777	17.4	55,653	56,430	154,844	98,414	137,728	−36.4	−28.5
New Mexico	14,021	+16	9.9	1,388	1,404	42,661	41,257	39,719	−3.3	+3.9
New York	565,780	−1,350	16.5	93,354	92,004	1,346,142	1,254,138	1,197,955	−6.8	+4.7
North Carolina	28,723	−506	3.3	948	442	516,039	515,597	455,853	−.1	+13.1
North Dakota	8,446	−211	12.4	1,047	836	18,236	17,400	15,204	−4.6	+14.4
Ohio	108,461	+553	18.0	19,523	20,076	768,055	747,979	625,778	−2.6	+19.5
Oklahoma	26,283	+506	9.9	2,602	3,108	55,934	52,826	42,372	−5.6	+24.7
Oregon	46,360	+1,378	10.2	4,729	6,107	122,949	116,842	110,607	−5.0	+5.6
Pennsylvania	341,399	+345	3.7	12,632	12,977	594,570	518,593	589,868	−2.2	−1.4
Puerto Rico	60,533		11.1	6,719	6,719	31,420	24,701	34,132	−21.4	−27.6
Rhode Island	37,103	+38	4.3	1,595	1,633	33,427	31,794	41,637	−4.9	−23.7
South Carolina	18,027	−109	0		−109	216,407	216,516	183,424	+.1	+18.0
South Dakota	3,626	−22	14.8	537	515	23,103	22,588	21,446	−2.2	+5.3
Tennessee	38,408	−227	9.0	3,457	3,230	296,396	293,166	246,693	+1.1	+18.8
Texas	65,158	+5,478	20.7	13,488	18,966	328,613	309,647	291,300	−5.8	+6.3
Utah	18,086	+37	1.1	199	236	53,055	52,819	49,839	−.4	+6.0
Vermont	12,830	−60	6.1	783	723	3,099	2,378	6,060	−23.3	−60.8
Virginia	17,032	−187	6.2	1,056	869	245,739	244,870	227,745	−.4	−7.5
Washington [2]	123,981	+1,456	13.0	16,118	17,574	6,482	−11,092	16,395		
West Virginia	24,759	−3	1.5	371	368	114,411	114,043	108,134	−.3	+5.5
Wisconsin	78,812	−1,233	4.3	3,389	2,156	301,366	299,210	278,290	−.7	+7.5
Wyoming	2,736	−290	20.7	566	276	24,454	24,178	21,834	−1.1	+10.7

[1] Reserves for 1972 and 1973 reflect State calculations of their own reserve position.

[2] Connecticut and Washington received advances from the loan fund account of the unemployment insurance trust fund in 1972 and 1973. At the end of 1973, these unrepaid advances amounted to $53,500,000 in Connecticut and $40,700,000 in Washington. Connecticut includes these advances in its reserves while Washington does not. Washington's estimated reserves in col. (7) would be positive if its advances were added to its reserves.

Mr. SCHNEEBELI. I also see the bill makes recommendations on coverage of agricultural employment. Do you feel that your recommendations in this area overcome the problems which the Congress has experienced in the past?

Mr. SCHUBERT. One general comment, Mr. Congressman: Back in 1935 when this whole area was first considered there was clear recognition that the great majority of the small farms that then were part of our economy simply could not handle the paperwork requirements that would be imposed by inclusion in the UI system. The situation, of course, is now quite different in part as a consequence of the conglomerate farm operation that has developed.

So that now what we are proposing would impact on a relatively small percentage of employers, but a very large percentage of employees. That just simply shows that we have moved in our agricultural economy to a concentration on larger farms.

The second observation is that the Congress directed that we study intensively this whole area before we come up with a recommendation and we did, in fact, engage in such a study, looking at actual farm experience and exposure. Our proposal reflects the results of that study.

Mr. SCHNEEBELI. You do limit it to four employees or more?

Mr. SCHUBERT. Yes, sir.

Mr. SCHNEEBELI. Otherwise there would really be some problems with respect to small, individual farmers.

Mr. SCHUBERT. Yes, sir.

Mr. SCHNEEBELI. I notice also that you recommend third tier benefits beyond existing law. Have economic conditions gotten to the point where this is necessary? Isn't this quite a change from what we have at the present time?

Mr. SCHUBERT. Sir, our general reaction is that the present system, if it were improved as we have suggested, might very well be adequate to meet the needs. However, given the fact that improvements, particularly when it comes to State legislative action, would require an extended period of time to effectuate, and the fact that we do have pockets of unemployment arising out of the energy shortfall, we require an answer now. We are proposing a contingency on-the-shelf program that can be utilized to the extent that local areas continue to experience difficulties.

In the long run if permanent changes or improvements are made in the system, we think that the necessity for ad hoc special programs will be greatly alleviated, but between now and then we have to do something we believe to meet the needs of local areas.

Mr. SCHNEEBELI. I recognize the difficulty of establishing ad hoc programs such as those related to energy created unemployment. What we do could result in a proliferation down the road in a lot of these areas.

Mr. SCHUBERT. Indeed it could.

Mr. SCHNEEBELI. I think my time has expired. Thank you.

Mr. ULLMAN. Mr. Burke.

Mr. BURKE. I want to commend you for your statement this morning and commend the administration for recognizing this problem. It is the beginning of a recognition that unemployment certainly is caused many times by actions taken on the Federal level.

While the energy crisis has contributed to unemployment, there are other areas that contribute to unemployment and if we are just going to deal with each one of them specifically we will have a proliferation of special programs and actually ignore the basic problem.

For instance, you have closing of defense installations, importation of cheap goods that drive domestic industry out of business and creates a lot of unemployment. Then you have the energy crisis, seasonal causes for unemployment, and many other causes not enumerated here today.

So I want to commend the administration for recognizing this problem. I would like to see you go a little beyond the 15 months, but it is a step in the right direction. We are thankful for any advances we are able to make.

Also, Mr. Schneebeli spoke for the older members of the committee to Bob Goodwin. I would like to speak for the younger members and say we are going to miss you, Bob. You have been a great help to our committee and our staff over the years. We are certainly going to miss you, but I hope that doesn't prevent you from coming down here once in a while and expressing your views on legislation because even in retirement you have a right to come down here and speak up and we certainly could use your wisdom on many occasions.

I would like to ask, Mr. Secretary, how you compile statistics on unemployment in the Labor Department. Do you do this areawide or statewide or nationwide? Do you have a breakdown on the figures of unemployment that you give out?

Mr. KOLBERG. The national total unemployment rates that the public is so aware of are compiled by special surveys done by the Bureau of the Census on behalf of the Bureau of Labor Statistics. That is done on a sample basis. I believe the current sample is 50,000 households. So that is the national figure that gets all the attention.

Then this committee is very well aware of the figures related to insured unemployment. Those figures are collected weekly. We publish both the national totals for insured unemployment and the State-by-State breakdowns as do the States.

Now, in the colloquy with Mr. Ullman, we were talking about additional unemployment estimates that we are now gathering to carry out our responsibilities under the Comprehensive Employment and Training Act. Under that we are asked to develop estimates of total unemployment down to units of 10,000 in population or larger. We are able to do that.

So, again, the numbers of individual units for which we gather unemployment data is in the many, many hundreds. Those estimates are developed, under methodology specified by the Bureau of Labor Statistics, by the State employment agencies.

What we have done here is to take the data we thought was the best and most up to date and the most immediately available to apply the trigger principle that we have in title II. That is the insured unemployment rates.

Mr. BURKE. Actually you depend a lot of polling of areas, is that true? What is the unemployment rate as of the last figure?

Mr. KOLBERG. Nationally, 5.1 percent.

Mr. BURKE. Well, I believe one of the Members of Congress charged that the Department of Labor had changed its methods of assessing

unemployment which would give a better image of unemployment in the country than actually existed. Have you changed your method of assessing unemployment in the country during the past year?

Mr. SCHUBERT. Let me respond generally and then Bill may want to pick up with more specifics.

There was no change with regard to methodology on the national rate. The one Bill suggests receives the great majority of attention, the 5.1 percent rate. However the Comprehensive Employment and Training Act requires that total unemployment rate data on a local basis be developed in order to establish a formula for distribution of manpower funds to State and local prime sponsors. In order to do that, we have to establish under the law a consistent systems for pulling together local unemployment data.

In so doing, we impacted on previous disparate systems among the 50 States of reflecting their local unemployment data. That generated the controversy because as a consequence of going to a uniform system which was required by the statute, we in fact raised some figures and lowered other total unemployment figures. That led to great consternation among those people adversely affected.

Bill, do you want to make a comment?

Mr. KOLBERG. The local total unemployment rates, as in Massachusetts, have historically been calculated by the employment security agency in the State. They were based on the 70 step method which was developed 20 or 25 years ago. That method basically started with insured unemployment rates in each State and built up from that. Last year when the Bureau of Labor Statistics took a look at the application of that rate they found, a differential application. Some States were not using the specified methodology correctly.

Second, they found a number of serious problems between States. For instance, the definition of insured unemployment, as this committee well knows, is different State by State. So, therefore, the results became different.

The Bureau of Labor Statistics then has added on to the old method some steps which utilize the sampling techniques used in the regular total unemployment statistics resulting in the 5.1 percent which, as the Under Secretary says, has in some States had the effect of raising the unemployment rates, for instance, in California and Florida.

In other States it has had the effect of lowering unemployment rates.

I am sure, as you know, Mr. Burke, we have had a difficult time in trying to explain to the Congress and to the local people what these changes are and why they were brought about and what the effects are. It has been quite a controversy all the way through as we found particularly in those States that had their unemployment rates lowered by this change in methodology. They are very upset. We have been trying our best to explain why, what the new methodology is, why it makes more sense and that in fact we are applying it uniformly across the United States.

Mr. BURKE. I think one of the reasons questions were raised was that about 100,000 people lost their jobs in the automobile industry. It was quite apparent that throughout the entire Nation gas stations were closed down for days at a time which meant high unemployment amongst that group of workers.

There were other firms that could not get goods so they were laying off. In the middle of all this, the Department of Labor comes out with an improved picture of unemployment. A lot of people were wondering how this was accomplished, whether apparently the figures that were given out before according to your testimony were inaccurate or a new method was pinning it down more closely to what the actual figures are.

But I think that that did bother some people when you tell us that unemployment came down to 5.1 percent, at a time when Leonard Woodcock is pointing out that 100,000 jobs were lost in the automobile industry. At the same time we saw thousands of gas stations closed on Saturdays and Sundays, which meant the laying off of thousands of employees. Then we have the petrochemical plants that had to close because they could not get the products they needed.

Then during all this period suddenly the Department of Labor comes out with an improved picture of unemployment. I was hoping that we are not trying to create an image to the public that unemployment is going down when actually they could see it going up. You have to take notice of these things when you see 100,000 people losing their jobs and suddenly the Labor Department comes out with an improved picture of unemployment.

I can't help but wonder how this was accomplished.

Mr. SCHUBERT. Let me note for the record as clearly as I can that the change in methodology that I have tried to describe and Mr. Kolberg has described in detail has absolutely no impact on the national figure. The 5.1 percent total unemployment figure—seasonably adjusted—released for the last month is constructed and developed in just the same fashion that 5.2 was the preceding month and 5.2 in January and 4.8 in December 1973.

All we are referring to is local data. This goes back to the colloquy that I had with the chairman at the outset of the interrogation. The improvement of local data is necessary for formulas set forth in the Comprehensive Employment and Training Act.

The fact is that many people, very frankly, projected a very serious dip in employment as a consequence of the energy crisis. We were very fearful that there would be a large ripple effect. That ripple effect simply did not take place. In fact, we are hopeful that we will bottom out at 5.1. There is absolutely no assurance of that, but we are hopeful that if we have not bottomed out we are very close to it.

Mr. BURKE. My time has expired.

Mr. SCHNEEBELI. Will you yield for one point?

Do you have any figures on automotive industry unemployment?

Mr. CONABLE. It is 100,000.

Mr. SCHUBERT. I think that is a rough approximation.

Mr. SCHNEEBELI. Compared with the previous year.

Mr. SCHUBERT. We will submit them for the record.

Mr. ULLMAN. Without objection we will put those figures in the record.

[The information follows:]

The Department of Labor ordinarily does not collect unemployment data for the automotive industry as such, but rather as a component of transportation equipment or motor vehicles and equipment. However, to use the reported data

would omit sheet metal and textile components, for example, which are reported separately and which contribute to finished automobiles as well as to other manufactured products. Accordingly, we have had to rely on the best estimates that we have been able to develop from a variety of sources, including Bureau of Labor Statistics monthly report on total unemployment, State reports on insured unemployment, and a mid-April 1974 survey made by the research department of the United Automobile Workers.

AUTOMOTIVE INDUSTRY UNEMPLOYMENT

It is difficult to arrive at precise figures on unemployment in the automotive industry. Part of the problem is that some workers are on temporary layoff with the expectation of being called back at a specified time (two or three or more weeks) and some are on indefinite layoff. The Bureau of Labor Statistics monthly reports include automotive employment and unemployment as a component of the larger unit motor vehicles and equipment. In addition, the weekly reporting of State insured unemployment is not classified by industry.

The Department of Labor's Region V, covering the States of Illinois, Indiana, Michigan, Ohio, and Wisconsin, accounts for an estimated 70 percent of the automotive industry. About 55 percent of Region V automotive industry is in Michigan alone. The Department of Labor estimates that, at its peak in March 1974, unemployment in the automotive industry in Region V totalled a maximum of 250,000 to 270,000. It is estimated that in Michigan, automotive unemployment in March 1974 was nearly 2½ times that in March 1973. As evidence of the current downward movement, energy-related continued claims for unemployment insurance in Michigan (largely automotive industry) were reported at about 100,000 for the most recent week, the week ended April 20, 1974.

Mr. VANIK. Will the gentleman yield on that very point? I have a newspaper statement here that indicates that Ford, with sales down 22 percent from last year, has currently a 15,500 layoff.

Mr. SCHUBERT. Yes.

Mr. VANIK. I have a 15,500 figure for Ford alone.

Mr. ULLMAN. Mr. Conable.

Mr. CONABLE. I think the figures will show there is 100,000 in the auto production industry alone. Of course, there is a ripple effect in supply and distribution, et cetera.

Mr. SCHUBERT. Yes, sir. I think it is interesting to note that GM and Ford have held off decisions with regard to permanent shutdown in light of the lifting of the embargo.

We have kept in close touch with union and company spokesmen and we hope that they will be restored to practically the same employment levels even if they change over to smaller cars.

Mr. CONABLE. It is also a matter of some note that Leonard Woodcock appeared before the Joint Economic Committee a little over a week ago and had no objection at that point to the way in which the overall unemployment figures were made up. He confirmed a statement that he made previously that he thought this country might be on the verge of the capital goods boom, and Mr. Woodcock is not considered to be a puppet of the Nixon administration.

I want to ask one question here that has not been asked as yet. I would like to know if, at any time recently in the Labor Department, or if there is under way now, any kind of a study of the impact of payroll tax on employment. We used to worry about this a good deal. We used to think that it had an economic impact if you raised the cost of labor without raising its productivity because of the interchange which is not absolute but which is, I think, economically demonstrable, between machines and labor.

If you are increasing the cost of payroll very substantially—and that is one of the things we seem to do up here in Congress all the time now—quite obviously you are going to have an impact on unemployment.

Now, I assume that you feel that these reforms that you are suggesting would not greatly increase the burden on payroll, but I am concerned about the overall picture as much as I am about what is being suggested right here simply because it does seem to me that this great tendency to load everything on payroll ought to be studied with some care. I am not sure the Labor Department has been doing it.

Mr. KOLBERG. Mr. Conable, as far as I know, we don't have any study of that kind under way.

Mr. CONABLE. Has there been any recently?

Mr. KOLBERG. Not that I am aware of, no. As a matter of fact, however, as far as State taxes are concerned in the UI system, its impact is less than 1 percent of the total wages.

Mr. CONABLE. I know, and that is true of many of the other loads we put on payroll.

Mr. KOLBERG. I think you are making a point that we ought to continue to concern ourselves with and look at payroll taxes across the board. I think that is useful, concerning study we ought to be doing.

Mr. CONABLE. We have to do that with respect to social security also and with respect to the impact of pension reform. Health insurance is going to be coming up. We are going to be looking at that. I am beginning to worry about whether we may not be, at some point, adding that extra straw that breaks the camel's back. That is the only question I have, Mr. Chairman.

Mr. ULLMAN. Mrs. Griffiths.

Mrs. GRIFFITHS. Thank you. What is the median wage for men in this country?

Mr. KOLBERG. The average factory wage is about $175 a week. We will have to get that for the record.

Mrs. GRIFFITHS. Please supply it.

[The information follows:]

MEDIAN WAGE OF MEN WORKERS

According to earnings data obtained by the Bureau of Labor Statistics from the Census Bureau's Current Population Surveys, the median weekly wage for men in May 1973 was estimated to be $188 (or nearly $9,800 on an annual basis). While more recent data will not be available for some months, indications are that the median weekly wage for men may be as high as $200. The figures shown are for all wage and salary workers, including supervisory workers, but excluding the self-employed.

Mrs. GRIFFITHS. I would also like to know: Supposing a man making $6,000, a married man with two children, is unemployed. Under your bill, you are asking for him to get $4,000 in unemployment compensation?

Mr. KOLBERG. Fifty percent.

Mrs. GRIFFITHS. I thought you wanted 66⅔.

Mr. KOLBERG. The maximum is 66⅔.

Mrs. GRIFFITHS. If he got $4,000, he is entitled to food stamps, isn't that right?

Mr. KOLBERG. That is correct.

Mrs. GRIFFITHS. The $4,000 is not taxed, isn't that right?

Mr. KOLBERG. That is correct. I don't think he would get four. I think it would be three.

Mrs. GRIFFITHS. All right, but he gets food stamps in addition to that. In addition to that, it is possible that his children are entitled to free school lunches, isn't that correct?

Mr. KOLBERG. I would assume so.

Mrs. GRIFFITHS. Is he entitled to medicaid?

Mr. KOLBERG. I would think so, yes.

Mrs. GRIFFITHS. Before you come back, I think it would be interesting for you to figure out for those States represented by members of this committee what a man with two children and a wife, laid off from a $6,000 job—what he would get in compensation under your bill, what he would get in food stamps, if anything, in medicaid, if anything, in free school lunches, if anything, in subsidized housing, if anything; add it all up and then tell me how much he would have to make to equal that, because you are going to have to reduce that by taxes; whatever he made he would pay taxes on, and he would have work expenses and so on. I would like to know.

Mr. SCHUBERT. Assuming that he was eligible for the maximum on those other programs, because there are State tests for food stamps, et cetera.

Mrs. GRIFFITHS. Don't assume anything like that. You can figure it out State by State, but you can assume he is eligible. There are no tests on food stamps except money.

Mr. SCHUBERT. There are asset tests.

Mrs. GRIFFITHS. But he would probably be able to pass that and have a $25,000 house.

Mr. SCHUBERT. I think it is a lot less than that.

Mrs. GRIFFITHS. Well, State by State so you would know what he would have to earn to get it. Then assume that he works right up to the point where he does not lose the unemployment compensation. In most States he can work some without losing it, can't he? You can let him work at $2.50 an hour. Figure out what he is getting.

I think it is time that the Labor Department and everybody else figure out all these things together. When you come back, I will have prepared what a woman with three children would be getting in all of these States, too, because, in every instance, you are going to discover that that woman on welfare with three children is probably doing better than the man with the unemployment compensation.

One of the things that I think about unemployment compensation is that it is geared at too low a level. It should provide a better replacement of wages at a higher level. The person who loses a job who is making $20,000 isn't any better off than anybody else and he is probably worse off because he is probably carrying a heavier debt. So that those maximum amounts that you can collect in any State are really geared against that man. Is that not right?

Mr. KOLBERG. That is correct.

Mrs. GRIFFITHS. When you figure all this out, I think it would also be interesting if you figure out how an auto worker comes out, or a steelworker, because they are highly paid employees. They are not going to come out nearly as well as the man at $6,000.

Mr. SCHUBERT. But in both the auto and steel industry, they have supplemental unemployment programs.

Mrs. GRIFFITHS. But it doesn't work for everybody.

Mr. SCHUBERT. But it does for the great majority of people who have more than 2 years of service.

Mrs. GRIFFITHS. But they still have people in a pretty tough situation. It would be really interesting to see how they are doing. I congratulate the auto workers for having something better, but really you ought to have it for everybody. I think we need to look at all the income maintenance programs and they should be looked at in every department so that you understand how they work together.

Now, on unemployment compensation, what are the job requirements? If you refuse any kind of a job, do you lose all the unemployment compensation or does it have to be your skill? It is your skill, isn't it? You are not required to become the janitor if you were a tool-and-die man, right?

Mr. KOLBERG. Right.

Mrs. GRIFFITHS. On welfare, the truth is that, while you reduce the welfare if the mother refuses a job, because you increase all the other benefits, her loss can be very slight indeed. So we say one thing and we do something else with these laws. We act like we want people to work but, when you look at how the law is written, that is not really what it says. The thing we ought to proceed on is the theory that everybody can add and subtract.

I would like to ask you: Why do you propose that the Secretary designate the areas in which the special benefits would be paid? Can't we have an objective test of whether or not the benefits are to be paid? Why should the Secretary designate the areas?

Mr. KOLBERG. I think you have misunderstood, Mrs. Griffiths. I think ours is an objective test. We have a specific trigger based upon unemployment insurance rates in that area. I think you are talking about most of the other bills but not our title II.

Mrs. GRIFFITHS. It says the Secretary designates it.

Mr. KOLBERG. The Secretary designates the areas on which we would maintain unemployment rates, 185 separate areas. But then you would have an objective trigger point.

Mrs. GRIFFITHS. Why do you have him do it? The real truth is: We have had four different bills in the last 2 years. In addition, we have had an emergency unemployment program in operation since 1972. Don't you really think it is time we junked all of this and put up a decent unemployment compensation program and let it pay?

Mr. KOLBERG. I think I certainly agree generally with what you are saying. I think you are saying it a little differently than we are saying it. We would like to have an up-to-date, modern, regular unemployment insurance program so every time a new crisis comes along, we don't have to have something specifically tailored for that.

Mrs. GRIFFITHS. Thank you.

Mr. ULLMAN. Are there any other questions?

Mr. VANIK. Mr. Chairman.

Mr. ULLMAN. Mr. Vanik.

Mr. VANIK. Your proposal deals with the so-called labor market area. I think that is a preferable approach because we have areas

that have experiences different from States. For example, in a community like mine, where we are oriented very much to the automobile industry and its related industries, we may have a special impact within a market area which may not necessarily be a statewide situation. Relating that problem to the State would have an adverse effect on us.

I have a question: How, in your opinion, could we change the extended compensation triggers to make them more responsive to the situations which existed prior to last September, the situation which has come about since then, and the outlook for the next few years? What I am getting at: What changes do you think we could make now that would eliminate the problems we have had with triggers which seem to be too much and too late?

Mr. SCHUBERT. Congressman, as the chairman noted in his opening remarks, I think everybody recognizes the necessity for taking a look at the triggered program that has been in effect. It has not worked to anyone's expectations. The form, the nature of the response or the remedial action to be taken, however, is, frankly, at this point unclear.

Congressman Burke has suggested an approach. Back in 1969, when this whole area was discussed in depth with this committee, a Federal approach at triggering was suggested. We have been looking pretty intensively at how remedial action might be taken.

Mr. Chairman, we would be delighted to work with the committee, particularly with a view toward getting a total package—as Congresswoman Griffiths has indicated—a total package to make this unemployment insurance system a more effective economic vehicle in every respect, including the triggering process that Congressman Vanik has referred to.

Mr. VANIK. The only place we deal with something relating to standards is in the benefits provisions, isn't that correct?

Mr. SCHUBERT. Yes.

Mr. VANIK. I recall a situation rather shocking to me where an unemployed worker, either in steel or automobiles, with a longtime history of employment, took another job that was not really related to his skill. It was either repairing automobiles or waxing them. That job ended in about 2 weeks, in a short time. Then he had a claim under that job rather than the previous job from which he had been laid off, from his long-term employment. He lost benefits because he took a weaker recovery job position.

It seems to me there must be a lot of variations of this type in several States. I was wondering why we could not take a bolder step into the area of improving the standards than we do in the basic legislation that you have discussed today.

Mr. SCHUBERT. The two areas that are most generally discussed with regard to federalization beyond benefit levels are eligibility and duration. Very frankly, we have been attempting to try to walk a fine line to try to retain the Federal-State partnership in this area. We are concerned about the possibility that, as a result of increasing benefit levels, there might be an adverse effect on either eligibility or duration.

We would certainly be willing to look, with staff and principals, at that problem. But you can go only so far and retain that Federal-

State partnership. There must be afforded to the States some flexibility with regard to revising their standards; otherwise, we will have a totally Federal system.

We don't think that a totally Federal system is justified. We believe that, in fact, when one looks across time, the system has worked fairly well, save that there are some improvements that have to be made, and one that cries out most for relief is in the benefit level area.

Mr. VANIK. When we get into executive session, I will try to get some specific examples. But I think we ought to investigate entitlement. We have a transitory work force which travels from State to State and job to job. I think we have to give them some safeguard. Otherwise they just might lose out by a move that might be required by either employment circumstances or a shift in the activities of the employer. I will get into that in executive session. Thank you very much, Mr. Chairman.

Mr. ULLMAN. Mr. Brotzman.

Mr. BROTZMAN. I have not heard any discussion about what this program costs. Are there some figures available for the committee?

Mr. KOLBERG. Are you talking about title II?

Mr. BROTZMAN. The whole thing. I see some changes here in benefits when the trigger mechanism goes into effect. I assume a part of this will be borne by the States, but you must have some estimates of what the expenses would be to the various echelons of government.

Mr. KOLBERG. With respect to title II, the new element, if total unemployment overall averaged out at a level of 5.7 percent, as it was back in 1971, we would estimate this program would cost about $1 billion. We are picking out a period back in time and saying: If the situation replicated itself, it would cost $1 billion of Federal money. This would be paid 100 percent out of the general funds of the Treasury.

Mr. BROTZMAN. That would be at a level of 5.7 percent?

Mr. KOLBERG. Yes, sir, 5.7 percent.

Mr. BROTZMAN. Do you have any figures prepared on this, and statistics relative to this overall thing, that you could make a part of the record here or is this your testimony on cost?

Mr. KOLBERG. We could supply for the record, Mr. Brotzman, a more precise rationale than I have given you here on how we have arrived at this.

Mr. BROTZMAN. I mean estimates relative to the States. If I understand correctly, this would change some of the State requirements that are currently below the 50-percent rule; is that not correct? Do you have estimates as to what it would cost the various States? I just hastily read your testimony. I guess two-fifths of them are below the so-called 50-percent wage rule now; is that correct?

Mr. KOLBERG. That is correct. Page 66 of the committee print, Mr. Brotzman, shows the percentage increase State by State which would be required under the benefit standards we are proposing. It goes all the way from zero in the five States that already have met the standard to 23.4 percent, thereabouts, in several of the States.

Mr. BROTZMAN. That is on page 66?

Mr. KOLBERG. Of the committee print, yes, sir.

Mr. BROTZMAN. All right. Well, I will check this over. Thank you very much.

Mr. ULLMAN. Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman. Mr. Secretary, I support national standards for this program. I also support including agricultural workers in the program. I, like Mr. Vanik and Mrs. Griffiths, look forward to working with you in the markup sessions, hoping we can eliminate some of the problems that have been outlined here.

I have a problem understanding exactly how, under your bill, you expect to treat farmworkers. Under title I you treat them one way and under title II you treat them another way. In one case everybody is covered, whether they have contributed or their employer has contributed or not. In the other case, only employees on big farms are covered. Could you give me your rationalization on this, please?

Mr. SCHUBERT. Title I constitutes our recommendations for improving the system on a permanent basis. Title II is a contingency, on-the-shelf, temporary program to meet area pockets of unemployment to last for approximately 12 to 15 months.

Frankly, as we tried to say in our testimony, it is projected and proposed and recommended because we don't have an adequate permanent program and system. We think that in the long run from a permanent standpoint farmworkers ought to be part of the system.

With regard to the temporary program, we are recommending that Federal dollars be spent based on the level of unemployment in a particular area and that it be applied to two kinds of persons—one, UI exhaustees, and, two, those that would have eligibility under State law because they have sufficient labor force attachment but are not covered by the system because they do not have sufficient work in covered employment. The temporary program is being proposed to alleviate the problem of temporary pockets of high unemployment.

Mr. GIBBONS. Now, several of my colleagues, including a former Congressman, Gerald Ford, and Congressman Mills, introduced a bill, H.R. 8600, last year, dealing with the problem of how you pay for coverage of agricultural workers. This legislation proposes that we pay for the farmworkers in those high-farm employment States through a system of requiring the States to levy the maximum tax to pay for them and then, if costs go over the maximum, that we dip into Federal funds. Have you passed judgment on that proposal and, if so, what is your judgment?

Mr. ALTMAN. Although H.R. 8600 did not include such a proposal, we have examined a couple of different versions of bills of the type you describe. These are bills that, in general, propose that the costs of benefits to farmworkers that are over and above the maximum rate payable in the State would be met out of Federal revenues. Essentially this is the common characteristic.

In this respect, such bills would treat coverage of farm employment quite differently from the coverage of any other industry within the State. The effect would be to subsidize federally, farm benefit costs even though those benefit costs might not be, in terms of their dollar amount, any different in their excess over the State maximum than those of other industries.

The farm industry, so far as our studies show, may, in some instances, be no different from any other industry in the benefit costs that they would reflect, and, in some instances, other industries would be even more in excess of the State maximum than the farm industries. Nonetheless, these bills provide a Federal subsidy for the farm industry and for no other industries.

Furthermore, there are no distinctions made in these bills as among the individual establishments within the industry. Some farm employers would be taxed under State laws at less than maximum rates because of their experience. For others, benefit costs would exceed the State maximum tax rate. Yet the distinction that would be made would be entirely on an industry basis without looking at the variations among the individual members of the industry.

Another point that requires some consideration is this: We already have some of the farm employers, very large employers, covered under State laws with respect to their nonagricultural activities. I think the members of the committee are familiar with the conglomerates that operate in the farm area.

A number of the conglomerates that are already covered for their nonfarm activities would, given farm employment coverage under State unemployment insurance laws, simply start paying taxes on the wages of all their workers, including their farmworkers. The isolation of farm benefit costs attributable to those conglomerates for which farm employment may be, in effect, only a minor portion of their total operation and employment may be technically a very difficult problem. We have looked at those bills and see real problems of actual application.

Mr. GIBBONS. After checking with the staff, I see that H.R. 8600 is the same as title I of this bill. It does not provide for the special Federal payments I referred to.

Mr. KOLBERG. That is correct. I thought you were talking about some other bill, Congressman. I was not clear at all.

Mr. GIBBONS. No. I figured if Mr. Mills and Mr. Ford had introduced it, it was not too radical or wild-eyed a piece of legislation. Thank you for your answers.

Mr. ULLMAN. Are there further questions?

Let me take advantage of this last opportunity to get the advice of Mr. Goodwin on the record. Would you please pass the mike down to Mr. Goodwin? Those of us who have sat on this committee a long time, Mr. Goodwin, are a bit disillusioned about the piecemeal approach to unemployment compensation problems.

I think you are at the point now where you can give your individual judgment without any sanctions. Tell us, Mr. Goodwin, what should we do with this unemployment compensation program overall to put it back on a good, sound basis?

Mr. GOODWIN. Well, I think that the weaknesses of the system now go principally to two areas. One is the coverage. I think we need Federal action in that area. The proposal that the administration has made would address itself to part of that problem. I think that we would all agree that we ought to move toward universal coverage as rapidly as possible.

The other area, of course, and the biggest single weakness, is the maximum, which are responsible for holding down the benefits in most States. Most States have a requirement in their laws to pay 50 percent of the worker's wage subject to the maximum, and the maximums have been just too low.

So I think action in those two areas would go a long way toward making the system whole. This would not solve all of the problems, because we do have a lot of people who, for one reason or another, don't get benefits. It has been a source of concern to me that, at any given

time, you can look at the total unemployment and look at the proportion of that total unemployment that are getting unemployment insurance benefits and it runs all the way from about 40 percent—I don't know where the other extreme would be but I think around 50 percent probably.

To put it another way, those getting unemployment insurance benefits would represent from 40 to 50 percent of the total unemployment. Now, that, to me, means that there is something pretty seriously wrong with the system. A good part of it is the coverage item. I think we have too many disqualifications in some of the States' laws now. I think we ought to move toward liberalization of the program in these areas.

Mr. ULLMAN. What about the trigger mechanism? It is rather imperfect, don't you think?

Mr. GOODWIN. Yes. I think that it needs improvement. I think it is clear that the 120-percent factor in that law has not worked out well. To the extent that we continue to rely upon triggers for extended benefits, we need to eliminate the use of devices like the 120-percent factor that imperil the availability of extended benefits when a State has substantial unemployment. An effective triggered program can best be achieved by use of a specific rate of insured unemployment, seasonally adjusted, and dropping the 120-percent factor. There are only two States right now—I believe this is correct—only two States now that could meet the 120-percent requirement. If you suspend the 120 percent, there are about 25 or 26 States that could meet the test of the 4 percent. Some of those States have pretty high unemployment.

Mr. ULLMAN. The 120-percent factor has such a wide range of application based on present insured unemployment rates in the States. My own State of Oregon has an insured rate of 6.65 but would have to go to 7.62 to meet the 120-percent test. A lot of other States would meet it at a lesser figure. Do you think that the present proposal will remedy that in any way?

Mr. GOODWIN. There is no administration proposal for permanent change of the extended benefit program.

Mr. ULLMAN. The area approach would meet part of the problem, would it not? It is my understanding that the area program would trigger in without regard to the 120-percent requirement. Is that right or not?

Mr. GOODWIN. Well, there is an alternative setup in the proposal that is made. This, of course, is a temporary program. This is title II and it is a temporary program. As Mr. Kolberg mentioned in his testimony, that trigger would operate in areas where the unemployment was 4½ percent, or it would operate in an area where it was between 4 and 4½ if it met the 120 percent for a base period.

The base period would be going back from October 1972 to September 1973. That was chosen because it represented a period before the energy unemployment started. In this case, the 120 percent would not have the same faults that we found in the regular program. For one thing, it is a temporary proposal and would be in effect only about 18 months.

Mr. ULLMAN. Back in the early 1960's, I think, President Kennedy and President Johnson recommended a system that would not have used trigger mechanisms. What was your feeling at that time as to whether that was a good idea? You supported those reforms at that time, didn't you?

Mr. GOODWIN. Yes. There is a good deal of support for increasing the duration of permanent benefits. In other words, there is a good deal of support for either requiring the States to go to a maximum of 39 weeks on duration or to set up an incentive for States to go to 39 weeks by the Federal Government paying part of the cost of benefits between weeks 26 and 39.

I was just trying to recall whether that was considered in connection with the 1970 amendments. It seems to me there was some discussion of it at that time.

Mr. ULLMAN. Finally, aren't you concerned somewhat with the coverage of part-time and seasonal agricultural employment? You are recommending full coverage, but don't we get into problems of compounding the cost when we get into situations where there is guaranteed unemployment in certain segments of the economy during certain times of the year?

I guess probably they would have to be covered some way, but this has been our problem with agriculture. Aren't you concerned somewhat about the integrity of the trust fund as we expand coverage further and further into the area of the seasonally employed, with guaranteed annual drains on the State accounts?

Mr. GOODWIN. I think that problem should properly be dealt with by having the right kind of provisions on attachment to the labor force. There are some States that have very low qualifying requirements, which means that workers are covered into the system that have had a very brief attachment to the labor force.

There are a few States where those provisions ought to be strengthened, in my opinion. I think that that would take care of most of this problem. It would take care of most of the seasonal problem if they have appropriate provisions in the State law on attachment to the labor force.

Mr. ULLMAN. Mr. Schneebeli has a question.

Mr. SCHNEEBELI. Mr. Goodwin, trading on your experience further, you said you have objection to some of the State disqualifications. Without expanding too greatly, could you list some of the State disqualifications for us?

Mr. GOODWIN. Well, I think we could furnish something for the record on that. The one that comes to my mind on qualifying requirements is the State of California, which had a very low one. My recollection is that it requires only $720 at any time in the base year.

Mr. SCHNEEBELI. You mean in other income?

Mr. GOODWIN. No; this would be——

Mr. SCHNEEBELI. Disqualification from eligibility?

Mr. GOODWIN. I am sorry; I misunderstood you.

Mr. SCHNEEBELI. You say you object to some of the State disqualifications. I would be interested in knowing to which State disqualifications you object. I think you made that statement previously in answer to Mr. Ullman. Do you think there should be something in the Federal law addressing itself to these disqualifications?

Mr. GOODWIN. I would say, in answer to the last part of your question, I don't think that is the high priority now. I think that these proposals that have been made in the administration's bill are the most important things to tackle now.

I think that before we recommend standards to this committee—which, I think, is involved in your question—standards on disquali-

fications, that we ought certainly to go through a period when we make strong recommendations to the States and give them an opportunity to make changes in their laws first.

Mr. SCHNEEBELI. Mr. Chairman, in order to expedite matters, I wonder if Mr. Goodwin or any of his colleagues could furnish for the record material pertinent to this discussion.

Mr. GOODWIN. Yes.

Mr. ULLMAN. All right.

[The supplemental statement follows:]

DISQUALIFICATION PROVISIONS OF STATE UI LAWS

The major causes for disqualification from benefits are voluntary separation from work, discharge for misconduct, refusal of suitable work, and unemployment resulting from a labor dispute. The disqualifications imposed for these causes vary considerably among the States. They may include one or a combination of the following: a postponement of benefits for some prescribed period, ordinarily in addition to the waiting period required of all claimants; a cancellation of benefit rights; or a reduction of benefits otherwise payable. Unlike the status of unavailability for work or inability to work, which is terminated as soon as the condition changes, disqualification means that benefits are denied for a definite period specified in the law, or set by the administrative agency within time limits specified in the law, or for the duration of the period of unemployment.

The disqualification period is usually for the week of the disqualifying act and a specified number of consecutive calendar weeks following, but some State laws specify exceptions in which the weeks must be weeks following registration for work or meeting some other requirement. The theory of a specified period of disqualification is that, after a time, the reason for a worker's continued unemployment is more the general conditions of the labor market than his disqualifying act. The time for which the disqualifying act is considered the reason for a worker's unemployment varies among the States and among the causes of disqualification. In two States the maximum disqualification period for one or more causes may leave only one week of benefits payable to the claimant.

A number of States disqualify for the duration of the unemployment or longer by requiring a specified amount of work or wages to requalify or, in the case of misconduct connected with the work, by canceling a disqualified worker's wage credits.

In less than half the States are disqualifications imposed for all three major causes—voluntary leaving, discharge for misconduct, and refusal of suitable work—the same. This is partially because the 1970 amendments to the Federal law prohibited the denial of benefits by reason of cancellation of wage credits or total reduction of benefit rights except for misconduct in connection with the work, fraud in connection with a claim, or receipt of disqualifying income. Thus, discharge for misconduct is most often the cause with the heaviest penalty.

The provisions for postponement of benefits and cancellation of benefits must be considered together to understand the full effect of disqualification. Disqualification for the duration of the unemployment may be a slight or a severe penalty for an individual claimant, depending upon the duration of his unemployment which, in turn, depends largely upon the general condition of the labor market. When cancellation of benefit rights based on the work left is added, the severity of the disqualification depends mainly upon the duration of the work left and the presence or absence of other wage credits. Disqualification for the duration of the unemployment and cancellation of all prior wage credits tend to put the claimant out of the system. If the wage credits canceled extend beyond the base period for the current benefit year, cancellation extends into a second benefit year immediately following.

The immediately following two tables show by State for 1972 and 1973 the effect of disqualifications classified by the major issues. The third table shows the wide range of State disqualification provisions for voluntary leaving, which accounts nationally and for most States for the greatest number of denials of benefits. This table is included as an example of the kinds of differences from State to State in the legal definitions and penalties imposed when claimants are disqualified.

DENIALS UNDER STATE PROGRAMS, BY ISSUE, JANUARY–DECEMBER 1973

State	Total new spells of insured unemployment [1]	Number of claimant contacts [2]	Total denials [3]		Voluntary quit		Misconduct		Not able and not available		Refusal of suitable work	
			Number	Per 1,000 claimant contacts	Number	Per 1,000 new spells of insured unemployment	Number	Per 1,000 new spells of insured unemployment	Number	Per 1,000 claimant contacts	Number	Per 1,000 claimant contacts
Total	[4] 11,755,912	[4] 81,853,112	[4] 2,608,250	[4] 31.9	[4] 907,240	[4] 77.2	[4] 276,690	[4] 23.5	778.556	[4] 9.5	62,336	[4] 0.8
Alabama	117,999	921,918	30,798	33.4	18,412	156.0	2,736	23.2	3,900	4.2	259	0.3
Alaska	37,969	310,709	3,955	12.7	1,140	30.0	328	8.6	1,766	5.7	89	.3
Arizona	73,497	361,521	25,614	70.9	10,210	138.9	2,989	40.7	8,416	23.3	248	.7
Arkansas	84,340	592,334	14,227	24.0	6,618	78.5	2,013	23.9	1,603	2.7	326	.6
California	1,755,474	9,182,781	358,331	39.0	102,514	58.4	41,480	23.6	141,582	15.4	6,748	.7
Colorado	62,151	388,374	33,152	85.4	15,140	243.6	5,918	95.2	2,981	7.7	311	.8
Connecticut	281,677	2,306,480	47,195	20.5	14,705	52.2	4,806	17.1	16,474	7.1	2,694	1.2
Delaware	45,925	252,311	7,642	30.3	1,624	35.4	1,155	25.1	794	3.1	136	.5
District of Columbia	31,049	320,630	8,943	27.9	2,867	92.3	1,861	59.9	3,302	10.3	53	.2
Florida	141,693	1,068,164	35,346	33.1	12,998	91.7	4,079	28.8	11,835	11.1	793	.7
Georgia	110,239	826,898	62,665	75.8	45,789	415.4	12,811	116.2	2,794	3.4	63	.1
Hawaii	50,986	975,178	17,682	18.1	5,281	103.6	1,229	24.1	6,190	6.3	581	.6
Idaho	49,272	342,904	10,117	29.5	2,495	50.6	1,038	21.1	2,934	8.6	536	1.6
Illinois	[4] 470,627	[4] 3,518,866	109,563	[4] 31.1	18,303	[4] 38.9	10,465	[4] 22.2	57,277	[4] 16.3	2,062	[4] .6
Indiana	212,283	1,259,793	51,352	40.8	31,363	147.7	7,952	37.5	5,029	4.0	1,374	1.1
Iowa	76,357	583,253	14,556	25.0	8,394	109.9	2,451	32.1	2,569	4.4	456	.8
Kansas	67,817	530,193	17,573	33.1	3,959	58.4	2,307	34.0	7,303	13.8	594	1.1
Kentucky	115,761	598,290	14,181	23.7	6,395	55.2	3,045	26.3	2,938	4.9	412	.7
Louisiana	162,846	1,537,618	30,330	19.7	12,655	77.7	5,832	35.8	5,514	3.6	396	.3
Maine	86,295	606,878	22,218	36.6	7,278	84.3	1,363	15.8	7,805	12.9	1,127	1.9
Maryland	162,906	1,342,619	55,421	41.3	19,925	122.3	5,611	34.4	12,873	9.6	3,045	2.3
Massachusetts	[4] 500,990	[4] 5,113,809	[4] 73,529	[4] 14.4	[4] 42,520	[4] 84.9	[4] 9,642	[4] 19.2	11,698	[4] 2.3	932	[4] .2
Michigan	674,568	3,770,651	207,454	55.0	106,191	157.4	20,945	31.0	47,822	12.7	4,698	1.2

Minnesota	159,591	1,034,275	73,763	71.3	34,325	215.1	4,763	29.8	13,119	12.7	1,048	1.0
Mississippi	50,673	382,442	12,146	31.8	2,865	56.5	1,867	36.8	2,689	7.0	559	1.5
Missouri	279,178	1,943,180	51,587	26.5	22,291	79.8	9,877	35.4	11,744	6.0	817	.4
Montana	38,397	314,003	9,972	31.8	5,860	152.6	1,005	26.2	2,688	8.6	85	.3
Nebraska	49,091	379,731	26 912	70.9	16,923	344.7	3,093	63.0	2,200	5.8	98	.3
Nevada	80,495	478,685	13,755	28.7	4,619	57.4	2,087	25.9	3,452	7.2	372	.8
New Hampshire	45,777	199,953	[4] 7,243	[4] 36.2	[4] 2,362	[4] 51.6	[4] 864	[4] 18.9	2,491	12.5	363	1.8
New Jersey	636,259	3,779,594	118,647	31.4	34,090	53.6	14,699	23.1	48,314	12.8	2,415	.6
New Mexico	51,790	405,138	8,739	21.6	3,228	62.3	1,851	35.7	3,550	8.8	92	.2
New York	1,631,481	12,083,341	335,916	27.8	76,453	46.9	3,260	2.0	148,499	12.3	11,051	.9
North Carolina	206,912	1,077,474	24,642	22.9	13,830	66.8	3,927	19.0	4,514	4.2	1,881	1.7
North Dakota	[4] 18,848	[4] 201,325	3,312	[4] 16.5	1,533	[4] 81.3	205	[4] 10.9	786	[4] 3.9	100	[4] .5
Ohio	402,147	2,844,364	97,143	34.2	22,369	55.6	14,772	36.7	21,662	7.6	1,940	.7
Oklahoma	70,388	439,217	27,912	63.5	17,767	252.4	3,904	55.5	3,891	8.9	244	.6
Oregon	195,326	1,366,725	42,557	31.1	13,404	68.6	4,305	22.0	10,067	7.4	516	.4
Pennsylvania	892,055	7,061,899	151,574	21.5	21,817	24.5	10,031	11.2	67,488	9.6	4,810	.7
Puerto Rico	187,517	1,334,125	65,145	48.8	1,784	9.5	968	5.2	10,490	7.9	248	.2
Rhode Island	[4] 123,105	[4] 818,183	14,688	[4] 18.0	5,808	[4] 47.2	2,055	[4] 16.7	4,673	[4] 5.7	818	[4] 1.0
South Carolina	70,785	569,913	23,592	41.4	13,992	197.7	3,647	51.5	4,791	8.4	935	1.6
South Dakota	13,233	120,279	3,283	27.3	1,363	103.0	65	4.9	1,287	10.7	2	----------
Tennessee	138,595	1,104,478	21,115	19.1	6,328	45.7	3,833	27.7	1,434	1.3	603	.5
Texas	217,527	1,516,470	75,923	50.1	38,106	175.2	19,577	90.0	8,794	5.8	1,627	1.1
Utah	49,187	459,941	14,994	32.6	5,106	103.8	1,022	20.8	4,913	10.7	695	1.5
Vermont	32,570	282,865	5,119	18.1	3,777	116.0	569	17.5	410	1.4	192	.7
Virginia	76,273	346,464	16,296	47.0	4,699	61.6	1,849	24.2	5,618	16.2	730	2.1
Washington	364,268	2,189,975	49,392	22.6	15,735	43.2	3,074	8.4	18,371	8.4	412	.2
West Virginia	90,351	568,087	24,750	43.6	8,414	93.1	1,645	18.2	2,671	4.7	235	.4
Wisconsin	202,621	1,771,921	34,444	19.4	11,327	55.9	5,724	28.2	1,771	1.0	1,526	.9
Wyoming	[4] 8,791	[4] 64,893	1,835	[4] 28.3	289	[4] 32.9	96	[4] 10.9	780	[4] 12.0	16	[4] .2

[1] Estimated on the basis of initial claims filed and monetary determinations with sufficient wage credits.

[2] New spells of insured unemployment plus continued claims for which the State is liable.

[3] In addition to the 4 issues shown. Also includes miscellaneous denials of benefits which do not apply in all States. Excludes denials of benefits due to labor disputes.

[4] Contains data from a previous reporting period.

DENIALS UNDER STATE PROGRAMS, BY ISSUE, JANUARY-DECEMBER 1972

State	Total new spells of insured unemployment [1]	Number of claimant contacts [2]	Total denials [3]		Voluntary quit		Misconduct		Not able and not available		Refusal of suitable work	
			Number	Per 1,000 claimant contacts	Number	Per 1,000 new spells of insured unemployment	Number	Per 1,000 new spells of insured unemployment	Number	Per 1,000 caimant contacts	Number	Per 1,000 claimant contacts
Alabama	121,988	1,105,019	30,315	27.4	17,300	141.8	2,462	20.2	3,734	3.4	314	10.3
Alaska	37,555	317,426	3,891	12.3	1,010	26.9	238	6.3	1,827	5.8	124	.4
Arizona	70,111	378,637	22,630	59.8	9,011	128.5	2,727	38.9	6,708	17.7	210	.6
Arkansas	82,526	614,796	13,099	21.3	5,493	66.6	1,930	23.4	1,350	2.2	281	.5
California	1,791,199	9,822,539	367,043	37.4	104,470	58.3	41,268	23.0	143,524	14.6	6,574	.7
Colorado	53,816	357,027	26,285	73.6	11,876	220.7	4,683	87.0	2,376	6.7	280	.8
Connecticut	282,917	3,151,549	64,524	20.5	17,504	61.9	5,766	20.4	28,107	8.9	4,538	1.4
Delaware	44,917	266,430	5,589	20.8	1,431	31.9	1,060	23.6	694	2.6	221	.8
District of Columbia	32,734	380,513	8,893	23.4	2,820	86.1	1,865	57.0	3,206	8.4	40	.1
Florida	141,211	1,198,388	33,360	27.8	12,897	91.3	4,775	33.8	9,544	8.0	815	.7
Georgia	107,741	987,567	45,090	45.7	30,700	284.9	8,052	74.7	5,864	5.3	59	.1
Hawaii	46,086	632,057	15,197	25.6	5,370	116.5	1,150	25.0	5,944	9.4	550	.9
Idaho	43,885	343,423	8,904	25.9	2,844	51.1	896	20.4	2,999	8.7	396	1.2
Illinois	551,408	4,430,617	98,508	22.2	15,328	27.8	9,495	17.2	53,575	12.1	1,742	.4
Indiana	851,339	1,701,326	47,698	28.0	88,254	112.4	7,242	28.8	5,317	3.1	1,119	.7
Iowa	80,136	689,839	15,434	22.4	7,959	99.3	2,704	33.7	2,778	4.0	451	.7
Kansas	63,943	593,369	16,099	27.1	3,715	58.1	2,155	33.7	6,501	11.0	419	.7
Kentucky	112,667	613,969	11,789	19.2	5,804	51.5	2,783	24.7	2,074	3.4	370	.6
Louisiana	157,773	1,434,916	27,482	19.2	11,570	73.3	5,292	33.5	5,386	3.8	393	.3
Maine	88,327	688,461	20,149	293	6,572	74.4	1,346	15.2	6,723	9.8	980	1.4
Maryland	187,079	1,671,297	50,734	30.4	19,265	103.0	6,720	35.9	9,196	5.5	2,261	1.4
Massachusetts	484,086	5,114,616	(4)									
Michigan	773,189	4,852,081	214,108	44.1	102,064	132.0	19,687	25.5	54,626	11.3	4,676	1.0
Minnesota	174,498	1,161,308	60,957	52.5	29,877	171.2	4,325	24.8	9,767	8.4	916	.8

Mississippi	47,042	363,420	11,149	30.7	2,602	55.3	1,794	38.1	2,323	6.4	609	1.7
Missouri	283,720	2,104,979	50,750	24.1	20,930	73.8	9,917	35.0	9,805	4.7	762	.4
Montana	36,189	309,133	8,420	27.2	5,204	143.8	869	24.0	1,960	6.3	82	.3
Nebraska	43,706	339,298	20,603	60.7	13,057	298.7	2,598	59.4	1,513	4.5	90	.3
Nevada	78,304	525,586	14,240	27.1	4,602	58.8	2,335	29.8	3,525	6.7	404	.8
New Hampshire	47,410	268,843	7,177	26.7	2,179	46.3	756	15.9	2,576	9.6	399	1.5
New Jersey	616,100	3,893,834	109,888	28.2	32,000	51.9	12,593	20.4	44,477	11.4	2,130	.5
New Mexico	49,269	385,301	7,663	19.9	3,008	61.1	1,707	34.6	2,834	7.4	97	.3
New York	1,740,275	15,062,653	389,289	25.8	81,451	46.8	3,661	2.1	175,145	11.6	9,166	.6
North Carolina	213,448	1,317,544	27,443	20.8	14,778	69.2	4,954	23.2	4,601	3.5	2,483	1.9
North Dakota	17,251	193,958	2,716	14.0	957	55.5	173	10.0	886	4.6	88	.5
Ohio	495,563	3,931,573	116,555	29.6	23,838	48.1	17,149	34.6	29,496	7.5	2,374	.6
Oklahoma	72,330	474,867	24,894	52.4	15,664	216.6	3,791	52.4	2,9 9	6.1	235	.5
Oregon	179,738	1,351,651	43,366	32.1	10,318	57.4	3,413	19.0	8,849	6.5	537	.4
Pennsylvania	1,010,733	8,301,285	152,581	18.4	23,272	23.0	10,240	10.1	68,734	8.3	5,456	.7
Puerto Rico	156,629	1,243,724	65,301	52.5	1,438	9.2	659	4.2	8,538	6.9	275	.2
Rhode Island	122,203	821,824	15,636	19.0	5,326	43.6	1,981	16.2	5,829	7.1	1,230	1.5
South Carolina	74,586	682,015	26,543	38.9	16,078	215.6	3,629	48.7	5,355	7.9	886	1.3
South Dakota	13,171	122,521	2,785	22.7	1,292	98.1	115	8.7	931	7.6	4	(5)
Tennessee	133,027	1,201,456	11,112	9.2	6,068	45.6	3,601	27.1	839	.7	539	.4
Texas	256,405	1,715,942	75,337	43.9	38,259	149.2	19,014	74.2	8,979	5.2	1,339	.8
Utah	50,269	488,466	14,588	31.1	4,362	86.8	936	18.6	4,867	10.4	803	1.7
Vermont	30,832	312,456	4,383	14.0	2,928	95.0	609	19.8	428	1.4	218	.7
Virginia	77,659	381,285	19,719	51.7	4,082	52.6	2,010	25.9	7,864	20.6	781	2.0
Washington	428,907	3,254,928	51,002	15.7	13,552	31.6	2,943	6.9	17,430	5.4	390	.1
West Virginia	94,887	735,126	30,549	41.6	7,585	79.9	1,626	17.1	2,609	3.5	204	.3
Wisconsin	213,233	2,045,662	30,578	14.9	9,318	43.7	4,620	21.7	1,623	.8	1,068	.5
Wyoming	11,463	74,239	1,775	23.9	344	30.0	149	13.0	698	9.4	24	.3
Total[6]	12,375,480	94,392,739	2,544,820	27.0	817,044	66.0	256,463	20.7	796,843	8.4	60,402	.6

[1] Estimated on the basis of initial claims filed and monetary determinations with sufficient wage credits.
[2] New spells of insured unemployment plus continued claims for which the State is liable.
[3] In addition to the 4 issues shown, also includes miscellaneous denials of benefits which do not apply in all States. Excludes denials of benefits due to labor disputes.
[4] Information not available.
[5] Less than 0.05 percent.
[6] Preliminary.

DISQUALIFICATION FOR VOLUNTARY LEAVING, GOOD CAUSE,[1] AND DISQUALIFICATION IMPOSED

State	Good cause restricted[2] (27 States)	Benefits postponed for—[3 4]: Fixed number of weeks[5] (15 States)	Benefits postponed for—[3 4]: Variable number of weeks[5] (18 States)	Benefits postponed for—[3 4]: Duration of unemployment[6] (33 States)	Benefits reduced[4 7] (18 States)
(1)	(1)	(3)	(4)	(5)	(6)
Alabama	X[2]			+10×wba[4]	6-12×wba.[4]
Alaska		W+5[4]			
Arizona	X	WW+6			6×wba.
Arkansas	X[2]			+30 days work	
California[1]				+5×wba	
Colorado	X[2]		13-25[3 4]	([3]), ([8])	Equal.[9]
Connecticut	X[2]	W+4		([10])	
Delaware	X[2]			X	
District of Columbia			W+4-9		Do.
Florida	X[2]		W+1-12[3 4]	+10×wba[3 4]	
Georgia	X[2]		WF+4-8[5 9]	([10])	Do.
Hawaii			W+2-7		
Idaho				+8×wba[4]	
Illinois		WF+8[3 5]		+6×wba[3]	
Indiana[11]	X[2]			([11])	5y 25 percent.
Iowa	X[2]			+9×wba[4 6]	
Kansas		W+6		([10])	
Kentucky				X	
Louisiana	X			+10×wba[4]	
Maine	X[2]	W+12[3 4]		+8×wba[2 4 10]	
Maryland			W+1-9[3 4]	+10×wba[3 4]	
Massachusetts			WF+4-8[4]		Equal.[9]
Michigan[4]	X	W+6[12]			Equal—in current or succeeding BY.
Minnesota	X[2]		WW+5-8[5]		2×wba.
Mississippi	([2])			+8×wba	
Missouri	X[2]			+10×wba[4]	
Montana	X[2]		WW+2-5		Equal.
Nebraska			W+2-7[4]		Do.[4 7]
Nevada			W+1-15[4 10]		
New Hampshire	X[2]	W+26[3]		+3 wk of covered work with earnings equal to wba in each.[3]	
New Jersey	X[2]			+4×wba	
New Mexico			W+1-13		Do.
New York[1]				+3 days work in each of 4 wk or $200.	
North Carolina[5]	X		WF+4-12[13]		Do.
North Dakota		WF+10[3]		+10×wba	
Ohio[1]				+6 wk in covered work[4 14]	
Oklahoma	X	WF+6			
Oregon		W+8[3 4]		+wba in each of 4 wk[3 4]	
Pennsylvania[1]				+6×wba	
Puerto Rico		W+3			
Rhode Island[1]				+4 wk of work in each of which he earned at least $20	
South Carolina			WF+1-10	([10])	Optional equal.[9]
South Dakota			WW+4-9[4 13]		Equal.[4]
Tennessee	X[2]			+5×wba in covered work.	
Texas	X[2]		1-25[5 9]		Do.[9]
Utah			WF+1-5		
Vermont[15]	X[2]			([15]), ([13]), ([16])	
Virginia				+30 days' work	

See footnotes at end of table.

State	Good cause restricted [2] (27 States)	Benefits postponed for—[3 4]: Fixed number of weeks [5] (15 States)	Variable number of weeks [5] (18 States)	Duration of unemployment [6] (33 States)	Benefits reduced [4 7] (18 States)
(1)	(1)	(3)	(4)	(5)	(6)
Washington		W+10 [3]		+wba in each of 5 wk [3]	
West Virginia	X [2]	W+6 [4]			Do.[13]
Wisconsin [4]	X [2]	W+4 [10 17]		+4 wk with 20 hr in each week.	
Wyoming			90 percent reduction in duration.[4 9]		90 percent reduction in benefits.[4 9]

[1] In States footnoted, see text for definitions of good cause and conditions for applying disqualification.

[2] Good cause restricted to that connected with the work, attributable to the employer; New Hampshire, by regulation. See text for exceptions in States footnoted. In Mississippi marital, filial, domestic reasons not considered good cause.

[3] Colorado, Florida, Illinois, Maine, Maryland, New Hampshire, North Dakota, Oregon, and Washington counted in 2 columns. In Colorado and Florida, both the term and duration-of-unemployment disqualifications are imposed. In Illinois, claimant with wages in 3 or 4 quarters of BP is disqualified for 8 weeks or until he accepts bona fide work with wages equal to his wba, if earlier; claimant with wages in 1 or 2 quarters is disqualified until he has 6 times wba in earnings subject to FICA. In Maine, New Hampshire, North Dakota, and Washington disqualification is termination if either condition is satisfied. In Maryland either disqualification may be imposed at discretion of agency. In Oregon disqualification may be satisfied if claimant has in 8 weeks registered for work, been able to and available for work, actively seeking and unable to obtain suitable work.

[4] Disqualifications applicable to other than last separation as indicated: preceding separation may be considered if last employment not considered bona fide work, Alabama; when employment or time period subsequent to separation does not satisfy potential disqualification, Alaska, Florida, Idaho, Iowa, Louisiana, Maryland, Massachusetts, Missouri, Ohio, and Oregon; from beginning of BP Colorado and South Dakota; to most recent previous separation if last work was not in usual trade or intermittent, Maine, of short duration, West Virginia, part time Wyoming, and not in covered employment, Nevada. Reduction or forfeiture of benefits applicable to separations from any BP employer, Alabama, Colorado, Nebraska, and Wyoming. In Michigan and Wisconsin benefits computed separately for each ER to be charged. When an ER's account becomes chargeable, reason for separation from that ER is considered.

[5] W means weeks of occurrence, WF, weeks of filing, and WW, waiting weeks except that disqualification begins with: week for which claimant first registers for work, California; weeks following filing of claim, Texas weeks of disqualification must be: otherwise compensable weeks, Minnesota and South Dakota; weeks in which he meets able-and-available requirements, Illinois Disqualification may run into next BY which begins within 12 mo after end of current year, North Carolina.

[6] Figures show min. employment or wages required to requalify for benefits. In Iowa benefits not withheld from otherwise eligible claimant during extended benefit period after 12 consecutive weeks of unemployment during which time he is actively seeking work.

[7] "Equal" indicates reduction equal to wba multiplied by number of weeks of disqualification or, in Nebraska, the number of weeks chargeable to ER involved, if less. "Optional" indicates reduction at discretion of agency.

[8] Wba and total benefits in BY reduced by half if separation is under conditions requiring 50 percent award. See test for further details.

[9] Reduction in benefits because of a single act shall not reduce potential benefits to less than 1 week, Colorado, Texas Wyoming; 2 weeks Georgia, Massachusetts, South Carolina; ½ wba, Nebraska.

[10] Disqualified for duration of unemployment if voluntarily retired and until claimant earns 8 times wba, Kansas, Maine, and South Carolina; also if retired as result of recognized ER policy, Maine, to receive pension, Georgia. Disqualified for W+4 if individual voluntarily left most recent wrok to enter self-employment, Nevada. Voluntary retiree disqualified for the duration of his unemployment and until he earns 30 times his wba, Connecticut. Voluntary quit for domestic or family responsibilities, self-employment, or to attend school means disqualification for duration of unemployment and until claimant earns 8 times wba, Kansas.

[11] W+ wages equal to WBA in each of 10 weeks.

[12] In each of the 6 weeks claimant must either earn at least $25.01 or otherwise meet all eligibility requirements.

[13] If claimant returns to employment before end of disqualification period, remaining weeks are canceled and deduction for such weeks recredited, North Carolina. If amount potentially chargeable to ER is less than 4 times wba, disqualification may be reduced to number of weeks represented by potentially chargeable amount, South Dakota Disqualified for 1 to 6 weeks, if health precludes discharge of duties of work left Vermont Deduction recredited if individual returns to covered employment for 30 days in BY, West Virginia Benefit rights not canceled if claimant left employment because he was transferred to work paying less thsn 2/3 immediately preceding wage rate, Wisconsin.

[14] And earned wages equal to 3 times his aww or $360, whichever is less; if separation was not from most recent work and was from concurrent employment, disqualification is for duration of unemployment and until he has earned wages—the lesser of ½ his wba or $60 in covered work.

[15] 6 to 12 weeks when insured unemployment rate for 6 weeks exceeds 6 percent.

[16] * * + in excess of 6 times wba.

[17] Claimant may receive benefits based on previous employment provided he maintained a temporary residence near his place of employment and, as a result of a reduction in his hours, returned to his permanent residence.

Mr. ULLMAN. Mr. Waggonner.

Mr. WAGGONNER. I may be repeating a question asked earlier inasmuch as I came into the committee room after the session had begun, but I wonder if someone would comment on the change you made down at the Department in compiling employment statistics. It is my understanding that you have either adopted a new procedure or are in the process of doing so, in the transition at least, in determining the percentage of unemployment. I understand you are computing or compiling your statistics by using as a base now the domicile or place of residence of the individual, rather than the place of employment, as you have in the past.

What effect is that going to have? Is it going to, in the overall, provide more statistical areas with unemployment in excess of 4.5 percent, or will the total number be reduced?

Mr. KOLBERG. Mr. Waggonner, it seems to cut both ways. The change that you mentioned—we had quite a colloquy about it earlier this morning. The Bureau of Labor Statistics is in charge of methodology in this area on behalf of the Secretary. They have, after much study over the last year and a half, decided that this is the direction it ought to go.

To be precise, in about half the States, unemployment rates go down as a result of this change in methodology and about half go up. I guess we have heard from States on both sides—those who complain because it does go up and those who complain because it does go down.

Mr. WAGGONNER. I personally like the "place of residence" as opposed to the "place of employment."

Mr. ULLMAN. Did you have something you wanted to add, Mr. Secretary?

Mr. SCHUBERT. Just one comment based on Bob's colloquy. This "120 percent" gets confusing to me sometimes because we are talking about two concepts. One is the so-called trigger for the permanent extended benefit program and the question of whether or not it has worked out the way we would have really liked it to work out and whether it serves the need of our economy effectively.

I think we are saying today we recognize that it has not been all that is required. I would say in that regard that if, in fact, the committee is intent on coming up with a comprehensive, cohesive modification of the UI package, we would be happy to try to work something out in these areas as well as the areas we have already proposed in the Job Security Assistance Act rather than coming back to Congress every 3 or 6 months to try to finish it up in a permanent fashion.

The other concept we are dealing with is that in title II, which is a temporary program, this proposal has 120 percent in it but there is a different base period, not a floating one. The program is designed as a contingency, emergency program until all the States can get around to changing their laws, after Congress has moved to improve the system. I want to state the very significant differences between those two concepts.

Mr. ULLMAN. Mr. Secretary, I notice, according to our pamphlet, that you divided the State of Oregon into two areas in this new title II program. One is the Portland area and the other is the rest of the State. This is true in a number of States, I guess. Under your program, you would trigger in the rest of the State and not Portland, is that correct?

Mr. KOLBERG. That is correct, based upon the data. I believe the footnote says: as of February 2. Certainly that is old data now. We have not updated that, but as of that time you are absolutely correct.

Mr. ULLMAN. I think, knowing the practical situation in the State, that is an inequitable result. What you are doing, in effect, in these situations is covering a lot of special rural and isolated situations in the State, but that is because there is a widespread pattern in the rest of the State. In some States, where you did not have that pattern, they could have pockets that would have a real problem but would not be triggered in under your program.

Mr. KOLBERG. That is right.

Mr. ULLMAN. Thank you very much. We appreciate your testimony.

Our next witness this morning is our colleague, the Honorable Marvin L. Esch. We welcome you before the committee. We look forward to hearing your views.

STATEMENT OF HON. MARVIN L. ESCH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. ESCH. Thank you very much, Mr. Chairman, Mr. Schneebeli, and members of the committee. I appreciate very much the opportunity to testify here today. I wonder, because of your time constraints, if I might ask that my testimony be made a part of the record at this point and then proceed informally.

Mr. ULLMAN. Without objection.

[The statement referred to follows:]

STATEMENT OF HON. MARVIN L. ESCH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Distinguished Chairman, members of the Ways and Means Committee, I am very pleased to have this opportunity to testify today on the important role of the pending legislation in relieving the impact of unemployment which has reached critical proportions in many sections of the country.

It is estimated that the present unemployment insurance system will provide benefits in calendar year 1974 totalling over $7 billion to aid some 8 million people for an average of 14 weeks each. This is indeed an indication of the magnitude of the unemployment problem and the impact of the energy shortage on the job market. And, based on previous experience, it appears likely it will take unemployed workers longer to find jobs with unemployment continuing at a high level.

The problems of the jobless are made even worse in areas with depressed economic conditions where the unemployed have exhausted available unemployment compensation benefits. Under H.R. 13801, a bill I introduced several weeks ago and more recently with strong bi-partisan support, jobless persons in these areas would be provided with an additional 13 weeks of unemployment insurance benefits if they were eligible to participate in regular state or extended federal-state programs. In addition, a full 26 weeks would be provided to those not covered by regular unemployment insurance. In either event, the rate of insured unemployment would have to equal 4.5 per cent for the previous 13 weeks or 4 per cent and 120 per cent of a base period between September 1972 and October 1973.

What would this mean? To sum up briefly, the legislation would provide that:

1. Benefits will flow almost immediately through the existing state operated employment insurance system to areas hard-hit by high or suddenly rising unemployment.

2. Hundreds of thousands of unemployed whose regular and extended benefits have run out will again be eligible for benefits.

3. The impact of the energy shortage on the job market will be blunted to provide the jobless with benefits while they search for employment.

I do not think I need to point out to this committee that the unemployment problem has reached a critical stage in many sections of the country. In Michigan, unemployment has reached 10.2 per cent and literally thousands have either exhausted their insurance benefits or are ineligible. In almost half the states, the insured unemployment rate is 4.5 per cent. Alaska has an astronomical rate of 13.19 per cent insured unemployment. Masked by the statistics is the fact that thousands of Americans are running out of money to sustain themselves and their families.

Sadly, this is not the first time unemployment has been high; and just as sadly, it is not the first time Congress has been slow to respond. Admittedly, an attempt was made to establish a special program in the energy legislation. I suppose the rationale for the hastily drawn provisions in that legislation was that Congress wanted to move quickly and the most expeditious vehicle was the Emergency Energy Act. However, the energy bill failed to distinguish among the unemployed on the basis of the cause of their unemployment. This would have discriminated against thousands of the unemployed who were without jobs in non-energy related areas. For example, 40 of my constituents, laid off when a department store closed, have exhausted all benefits under the regular state compensation program and are not eligible for the extended federal-state program because their "benefit-year" fell one week short of the eligibility period required by law. With Michigan's unemployment rate rising, would it be fair to exclude these 40 persons because it could not be proved their unemployment resulted from the energy shortage.

I believe it would be far better to move forward with H.R. 13801 than to attempt to include provisions for the jobless in the energy bill which could be a long time reaching the President's desk. Spokesmen for the Labor Department have assured me that the data base already exists to enable them to put my proposal into effect within a matter of weeks. I should also like to point out Michigan was able to implement the extended federal-state unemployment compensation program almost immediately.

Mr. Chairman, this committee has a real opportunity to address the immediate needs of millions of Americans through this legislation which could also provide the impetus for establishment of a permanent emergency safeguard against the effects of high unemployment. It is estimated that 186 labor market areas would be eligible for consideration under H.R. 13801. Including the balance of the state, every area of the country would be eligible. It is further estimated that 50 areas might trigger "on" immediately on the basis of their unemployment over the last 15 years. It should be pointed out that once these areas trigger "on" they stay "on" for 13 weeks, whether or not the rate should fall below the required rates, and an individual receiving benefits would continue to receive them until he finds a job or his benefits are totally exhausted.

It is estimated that if this program had been in effect in 1971—when the unemployment rate averaged 5.9 per cent—it would have delivered $1 billion in benefits to 1.5 million persons. Since last October, the national insured unemployment rate has doubled from 2.1 per cent to 4.2 per cent. I hope you will agree that H.R. 13801 provides a sensible approach to unemployment because it addresses the overall problem and is also targeted at the areas where there is the greatest need and the chances of finding employment are lowest.

I urge the members of the committee to act quickly on this bill which has been endorsed by the Administration. I am confident Congress will recognize its obligation to the unemployed and take speedy action to help relieve the impact of unemployment which has now reached critical proportions.

Mr. ESCH. Mr. Chairman and members of the committee, we are well aware that the problems of jobless are the worst in areas of depressed economic conditions where the unemployed have exhausted available unemployment compensation benefits. As a result of that, several weeks ago I introduced H.R. 13801, with strong bipartisan support.

This bill would provide additional 13 weeks of unemployment insurance benefits if they were eligible to participate in regular State or extended Federal-State programs. In addition, a full 26 weeks would be provided to those not covered by regular unemployment insurance.

My bill is essentially title II of the administration's proposal. The reason I introduced title II is because since last October to November we have had acute unemployment in certain areas of the country which need our immediate attention.

While I strongly support this committee's moving ahead with a comprehensive analysis and reform of unemployment compensation system, which has been suggested by members of the committee and will be suggested by witnesses yet to come, our concern should be for those individuals who are now unemployed.

For this reason, I urge the committee immediately move on title II or H.R. 13801. Benefits could flow almost immediately through the existing State-operated employment insurance systems to areas hard hit by high or suddenly rising unemployment and hundreds of thousands of unemployed whose regular and extended benefits have run out would then be eligible for benefits.

I don't think that I need to point out to the members of this committee that the unemployment problem has reached critical stages in many parts of the country. In Michigan, for example, at a 10.2 rate, literally thousands have exhausted their insurance benefits or are ineligible.

In almost half the States the insured unemployment rate is 4.5 percent. Alaska has an unbelievable rate of 13.1. Thus masked by the statistics is the fact that thousands of Americans are running out of money to sustain themselves and their families.

I would hope the committee would give consideration to examining carefully the Wagner-Peyser Act, and the relationship among unemployment compensation, welfare programs, and food stamp programs, and other programs for the unemployed.

But, more significantly, I believe that we should move ahead aggressively now in this session of Congress so that we can reach out to those who are currently unemployed.

On the question of triggering, I definitely believe that the committee would want to look into "triggering" when considering permanent changes in unemployment compensation. However, the triggering mechanism for the next year, at least, would provide a basis of reaching out to those areas which have been hardest hit by the unemployment or job displacement problem.

In the meantime, we could examine whether or not indeed the triggering mechanism should be abolished as a permanent basis.

I am hopeful that the committee will do two things, Mr. Chairman: One, that they will move ahead on this bill. We have already delayed now over 6 months, both the Congress and the administration, in getting together to reach out to those critical problems of major job displacement, I believe it is possible to make this program operable.

The Labor Department has given assurances that if we enact 13801, they can immediately proceed to function to put out the dollars where they are needed.

Second, I would hope that the committee would give serious consideration to examining the long-range problems in terms of unemployment compensation, their equity, the nature of the problem in relationship to what we can afford, in relationship to the trust fund, and the relationship of a variable which has not come up today, where there is perhaps unfair competition between States with high unemploy-

ment compensation and those with low unemployment compensation. But those matters, I believe, should be taken into consideration after the enactment of a bill such as 13801.

I appreciate very much the committee's time in presenting my views today, Mr. Chairman. I would be happy to answer any questions.

Mr. ULLMAN. Mr. Esch, the committee values your judgment and recommendations. Are there questions? Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Esch, I think you know the high opinion we members of the committee have of your expertise. You have a very scholarly as well as practical approach to these problems. We appreciate so much your coming.

I have one question. How does your bill, 13801, relate to the administration bill?

Mr. ESCH. I thank you for your kind comments. Our bill is really title II of the administration's bill.

Mr. SCHNEEBELI. It is similar to it?

Mr. ESCH. It is identical to title II. I believe very strongly that what we ought to do is move ahead on title II and let the committee go to work on those suggestions on title I.

Mr. SCHNEEBELI. If we implement your bill immediately, then we could go back to the rest of the administration's bill and be more deliberate?

Mr. ESCH. That is correct. I believe it is imperative we move ahead on title II, which would provide between $600 million and $1 billion between now and the end of the next fiscal year, and then, during that time, I would hope two things could happen: First, that the committee could be more deliberate in making changes as suggested earlier; and, second, the States could act to dovetail into a new program if indeed we have a Federal-State program.

Mr. SCHNEEBELI. The money you mentioned—is that in addition to the present cost?

Mr. ESCH. This would come out of the general fund and would be additional.

Mr. SCHNEEBELI. Because the Federal Government has very little in unemployment funds.

Mr. ESCH. That is correct. I think it is important to recognize this. There have been suggestions, for example, for lowering the income tax and, without getting into that controversy, I would suggest that we might better put that type of money where it is most needed, and that is to the individual who is unemployed so that he can immediately spend it; and the concept of triggering out those dollars into areas of high unemployment to stimulate the economy is a significant factor.

Mr. SCHNEEBELI. Also without getting into controversy, I agree with you. Thank you for coming.

Mr. ULLMAN. Might I clarify a point? It is your judgment that we should handle this problem under the jurisdiction of this committee rather than in a separate energy bill? You think it would be better done here?

Mr. ESCH. Mr. Chairman. I believe very strongly in the concept that the committee who has the jurisdiction, the counsel, the expertise to be engaged in this type of activity should be responsible for it. I just regret that it was at all brought up in the energy bill for two

reasons, not only the question of committee jurisdiction, but secondly, because the nature of the legislation in the energy bill is not acceptable. It would be extremely difficult to determine whether or not an individual was unemployed because of the energy crisis or not.

Second, there are secondary and tertiary groups, population groups of individuals who are out of work because of the energy crisis which may not be eligible under that energy bill. So I believe it is a better part of valor, Mr. Chairman, not only on a jurisdictional basis, but a substantive basis to move ahead aggressively on this legislation. I would hope that we move ahead without further delay because we really don't know when that energy bill is going to come to the floor.

Mr. ULLMAN. Thank you for clarifying that point.

Mr. Burke.

Mr. BURKE. I want to commend you, Congressman Esch, for your appearance here today and your recognition of this serious problem that the Nation is faced with. You and I aren't too far apart. I might want to go a little farther than you do in dealing with the permanent problem.

Of course, I have sat here during the hearings on the trade bill when we heard so much about adjustment assistance for all those people who are going to lose their jobs as a result of importation of cheap goods, which is putting American workers out of jobs.

We have had large base closings around the country that have caused pockets of high unemployment and then we get hit with the energy crisis.

It seems to me that, in my opinion, we can't attack it in specific areas such as trade, energy and base closings or other closings. I think we have to look at the overall picture and try to establish legislation here that will work effectively throughout the country when high unemployment takes place.

If we enact legislation dealing with unemployment in a general way we would be far better off than dealing with some of these special programs that actually don't work out too well. Adjustment assistance under the 1962 Trade Act, as you know, didn't work out very well. It didn't take care of 5 percent of the people who lost their jobs. They ran into all kinds of bottlenecks.

So I hope that the committee will move expeditiously on this legislation and get out the best bill possible. I want to commend you for being with us this morning.

Mr. ESCH. Thank you, Mr. Burke. I know you have been involved as I have since about 1967 in the concept of economic conversion and the idea of developing national legislation which would impact upon areas of high job displacement. I believe that both our Labor Committee and your committee ought to move ahead aggressively.

Our new bill, the Comprehensive Employment and Training Act which I coauthored with Congressman Domenick Daniels, begins that process. I believe a reexamination of the unemployment legislation could further that area. I think immediately we need to give relief to those individuals that we don't have legislation now on the books to cover. But I am hopeful in the years ahead that Congress can look prospectively and develop contingency legislation that will impact into those areas in which there is a high job displacement irrespective

of its cause whether it is because of foreign competition, as you suggest, or military closings or other reasons.

Mr. BURKE. Thank you.

Mr. ULLMAN. Are there other questions?

Mr. DUNCAN. I would like to commend you for this most excellent statement. As usual, whatever you do, you always do it well. You well represent the people from your district and this country.

You indicate that unemployment now is about 10.2 percent in Michigan. Is there any indication that it is increasing or decreasing?

Mr. ESCH. There is some indication that within the last week to 10 days that it is beginning to stabilize. Some of the other individuals can testify better than I on that, but there are some reports from the automobile industry that they are not going to proceed with certain layoffs that they had anticipated.

I think that we are still in for a period of time of 6 to 9 months before it can have any predictability. We will be well into probably the next model year before we can determine the long-range impact on Michigan industry.

I think the other areas, one which has not been mentioned, that is the recreational vehicle industry in which we have a large industry in Michigan as well as parts of the South, for example, that industry probably will suffer one season's adjustment problem before moving ahead.

Mr. DUNCAN. Thank you very much. Thank you, Mr. Chairman.

Mr. ULLMAN. Mr. Brotzman.

Mr. BROTZMAN. Thank you.

Following up on my colleague's question, you are running about 10.2 now. Is this inordinantly high or what would you say the unemployment rate in your State is?

Mr. ESCH. Mr. Brotzman, any unemployment is too high. It is normally looked upon, we have been running at a figure of just under 5, but between 5 and 7 percent. But the point is even in Michigan there are pockets in which there is major unemployment especially in the inner city of Detroit. To suggest that we continue to operate on a statewide basis, I think, is a faulty assumption. We ought to reach out to those areas in which there is high unemployment.

Mr. BROTZMAN. And that has been the pattern, that is where you have the higher rate, is that correct?

Mr. ESCH. That is correct.

Mr. BROTZMAN. If I understand correctly, you don't just tie the benefits to the causality of the energy crisis, you have a broader base than that.

Mr. ESCH. I don't believe that, one, it is possible for us to develop legislation or regulation in which we could do that in an effective manner. Second, I believe it would be highly inequitable to do that. You can use the same argument when you talk about trigger, the fact that it is inequitable not to cover that person if he is unemployed when you are covering him in this State, but the advantage of trigger now is that it would put dollars out in those areas of high unemployment to stimulate the economy in that given area.

The question of whether or not we should continue with the trigger mechanism as a national policy, I think, the committee should review.

Mr. BROTZMAN. I tend to agree with you. I think it would be a subjective test that somebody would have to apply to, say, well, this fellow is unemployed because of the energy crisis and this fellow isn't. Isn't part of the problem actually though, up there in the automotive industry, related to the small car-big car battle?

Mr. ESCH. The question of whether or not the demand for smaller cars can be met with a transitional time remains to be seen. Second, it still remains to be seen whether or not there will be a market for the larger automobile. I think it is too early to tell.

Mr. BROTZMAN. I don't know how you can tell that for sure yet.

Mr. ESCH. I believe the trend will be more discernible within the next year. A year from now we will be more able to tell that.

Mr. BROTZMAN. I would like to thank the gentleman for appearing here. He always makes a fine presentation. It will be of great benefit to the committee.

Mr. ULLMAN. Mr. Waggonner.

Mr. WAGGONNER. I want to thank you, Mr. Esch, for coming before the committee with a very good presentation, as you always do. I wonder if you would care to comment on something that the administration spokesmen said earlier about the administrative horrors of making decisions as to whether or not unemployment could be related to the energy problem.

Mr. ESCH. Mr. Waggonner, I believe very strongly that it would be very difficult for any administrator to first of all develop regulations as how do you make that determination, and second, then to have to apply them out into the field.

For example, in my own district we have had 40 individuals laid off because of a department store closing. That was largely because of the economic considerations made because of the layoffs in the automobile industry.

Now, are you not going to give those 40 individuals laid off when that department store closed unemployment compensation and in the meantime you would be giving those, for example, in the automobile industry that have been laid off compensation?

It is completely inequitable. I think we ought to be honest. If we are going to write legislation, it ought to be legislation that can be applied simply with a minimum of redtape and on the most equitable basis possible. I don't believe the energy bill could do that. I hope once and for all we can lay that to rest and then this committee that has a great deal more knowledge in this area could write a bill that would be more equitable.

Mr. WAGGONNER. At least you recognize that you are struggling for a minimum amount of bureaucratic redtape because there is going to be a great deal of it when you have even a minimum amount as you describe.

Thank you, Mr. Chairman.

Mr. ULLMAN. Thank you, Mr. Esch. You have been very helpful to the committee.

Our next witness this morning is Mr. Irving Bluestone of the United Auto Workers.

We welcome you before the committee. Without further delay you may identify yourself and your colleagues for the record.

STATEMENT OF IRVING BLUESTONE, VICE PRESIDENT, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA; ACCOMPANIED BY GEORGE WEAVER, RESEARCH ASSOCIATE, AND RICHARD WARDEN, ASSISTANT LEGISLATIVE DIRECTOR

Mr. BLUESTONE. Thank you, Mr. Chairman.

My name is Irving Bluestone, vice president of the International Union, UAW. To my right is Mr. Richard Warden, our Washington office, and to my left, Mr. George Weaver of our office in Detroit. In order to save time, I suggest inserting our statement in the record and I will try to summarize it.

Mr. ULLMAN. Your full statement and accompanying materials will be in the record at this point.

Mr. BLUESTONE. Thank you.

[The statement referred to follows:]

STATEMENT OF IRVING BLUESTONE, VICE PRESIDENT, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

I welcome the opportunity to present the UAW's views on our nation's unemployment compensation system. As you know, unemployment in the auto industry has reached disastrous levels in the current recession, and while some of our laid-off members are now back to work, there is no assurance that the tide has been turned. Of course, auto workers are not alone in their plight. Overall unemployment numbered 4¾ million in March, and there is every indication that the employment picture will get worse before it gets better. Meanwhile, some among the jobless who qualify for unemployment compensation face the prospect of exhausting their benefits before they can find employment again. Furthermore, some of the unemployed are not eligible for U. C. to begin with: in March about 40 percent or two million of the unemployed were not covered by the unemployment insurance system or were not eligible for benefits under its provisions.

Much of the hardship faced by the unemployed could have been avoided had adequate federal standards of unemployment compensation been enacted in 1969, when, instead, the President, in a message to Congress, preferred to "call upon the states to act within the next two years to meet this goal (benefits of 50 percent of wages to at least 80 percent of insured workers) thereby averting the need for Federal action." This is essentially the same proposal made by every administration since 1954.

President Nixon's 1969 proposal would require that the maximum weekly amount provided for by state laws be at least two-thirds of the average weekly wage of covered workers in the state. Almost five years have gone by and, by the Department of Labor's account, the number of states with the President's recommended maximum increased from one in 1969 to only four in 1973, with a fifth state adopting a close approximation of it. These five states together comprise a meager 3.7 percent of the nation's covered work force. On the other hand, 47.3 percent of the covered work force is in states where no individual earning the average wage or higher, or even significantly less than the average wage, can receive a weekly benefit equal even to 50 percent of his weekly wage.

The "Job Security Assistance Act of 1974" would establish an adequacy requirement with respect to the weekly benefit amounts furnished under state law and constitutes, at long last, a welcome admission on the part of this administration that the states are unlikely to act in response to mere exhortation. Under experience rating the states are in competition with each other to offer employers the lowest politically practicable unemployment insurance contribution rates in an effort to attract and hold industry. Employers have not been reluctant to hold the threat of plant relocation over the heads of state legislators contemplating unemployment insurance improvements.

Because of this competition to save employers money at the expense of unemployed workers the states can be made to move together solely by effective fed-

eral action, not only in the area of weekly benefit levels, but regarding eligibility criteria, the duration of benefits, and the extent of coverage as well.

It should be noted that while the bill before this Committee deals with federal standards for the various state programs, the UAW's strong preference is for federalizing the unemployment compensation system. Unemployment insurance will not be a truly reliable, effective and compassionate instrument of enlightened social policy in what is now essentially a national economy and a labor market which transcends local and state boundaries until it is federalized and made a part of a comprehensive manpower and income maintenance system which will put a national floor under income and provide employment opportunities to all who are able to work. But whether the system is federalized or whether it is operated separately by the several states in accordance with federal standards, the standards ought to be far more comprehensive than those proposed by the Job Security Assistance Act.

Benefits

Unemployment insurance is a way of helping the unemployed worker sustain the standard of living which his wages have provided; the benefit amount, except for those with very high income, should relate closely to his usual wage level. The UAW, therefore, favors establishing a federal benefit standard that will replace 66⅔ percent of a jobless worker's full-time weekly wage up to an amount equal to the statewide average weekly wage. (In the Administration's proposal, the rate of replacement is 50 percent and the maximum is 66⅔ of the average wage.)

The Act under consideration contains no provision concerning the amount of employment and wages required to qualify an individual for benefits. Qualifying requirements are attempts to define who is attached to the labor force and should be as much a part of federal legislation as the amount of weekly benefits. We recommend a qualifying minimum of not more than 10 weeks of employment (covered or uncovered) in the worker's base year. Once a worker has established his eligibility, he should receive the full measure of insurance protection. If duration of benefits is tied to length of employment, the less experienced workers, who are likely to need their compensation for longer periods, will end up exhausting their benefits sooner and more often than workers with longer employment records. There should be no provision requiring low wage earners to work longer than high wage earners to establish their benefit rights.

The waiting period, a noncompensable period of unemployment in which the worker must have been otherwise eligible for benefits, should be abolished. First, the rationale that the imposition of a waiting period permits the administrative agency time to process and verify claims, which was of little or no merit to begin with, has no validity at all nowadays as procedures are well established and expeditious. Second, the rationale that full coverage of the period of unemployment would impose too heavy a financial burden upon the system is just an excuse for shortchanging the needy, whose requirements for food, housing, and the like most assuredly do not have a waiting week. As of the end of 1973, seven states did not require a waiting week. At least one state, Michigan, has abolished the waiting week in 1974. In Georgia the waiting week is waived if the claimant is unemployed through no fault of his own (this applies to most workers). In three other states the waiting week may be suspended if a state of emergency is declared. In ten other states, the waiting week is compensable if the claimant reaches a specified number of compensated weeks.

Duration

The Job Security Assistance Act sets no standards for duration of benefits. Today, every state (excluding Puerto Rico) offers a maximum duration of 26 weeks or more. Only eight of the states entitle all claimants to the maximum, the rest vary the maximum duration with the amount of past earnings or employment. In 1969, these provisions resulted in 52 percent of all claimants exhausting benefits before receipt of 26 weeks of unemployment compensation. In 24 states, over 60 percent of all exhaustees had drawn benefits for less than 26 weeks.

I think nearly all reasonable persons would agree that duration longer than provided under current state law is essential. That is why Congress enacted Public Law 91–373 providing for 13 weeks of benefits beyond those provided by state laws. However, we are opposed to the thrust of Title II of the administration's proposed program (providing up to 13 additional weeks of benefits beyond

those provided in Public Law 91–373) for two reasons. First, we think that there should be a federal standard providing for a maximum duration of unemployment compensation benefits of 52 weeks at all times, aside from any emergency considerations. Second, we strongly oppose triggering devices based on rates of unemployment. The continuation of benefits should not be tied to national or state unemployment rates but should last as long as an eligible worker is unemployed because he cannot find a suitable job.

The need for extending benefits beyond 39 weeks has been frequently demonstrated. There have been a number of pieces of federal legislation providing for extension of unemployment benefits beyond the number of weeks covered by state law. These included the Temporary Unemployment Compensation Programs of 1958 and 1961 and the Federal-State Extended Unemployment Compensation Act of 1970 (Public Law 91–373). The latter Act was made applicable to some states as early as 1970 but was not effective in all states until 1972.

None of these extensions was adequate. The 1958 law provided for up to 13 weeks of duration beyond the duration provided by state law starting in June 1958. When the law expired in the summer of 1959 it had paid benefits to over 2 million persons. Of these, 1.2 million exhausted even their extended benefits, indicating they had not yet found a job.

The 1961 law, which began paying extended benefits in April 1961, terminated on June 30, 1962. It paid benefits to nearly 2.8 million persons. Of these persons more than 1¾ million exhausted their extended benefits before finding a job.

The Federal-State Extended Benefit Program under Public Law 91–373 paid benefits to 1,419,855 persons in 1971. Of this number 720,550 exhausted even their extended benefits. In 1972, the first year that all states participated, an additional 1,086,903 began to receive benefits under the program. A total of 532,544 exhausted their benefits before they found a job.

Adequate extended benefits should not await emergency legislation. Even in good times many people suffer lengthy unemployment. In 1972, the latest year for which we have data, 1,856,000 persons who wanted work were unemployed for more than half a year.

Even in 1968 and 1969, when unemployment fell to an average of 3.5 percent, between 700,000 and 800,000 workers were unemployed for more than six months.

A problem affecting such a large number of workers deserves more than partial solutions and triggering mechanisms. That is why we urge a federal standard providing maximum duration of no less than 52 weeks of unemployment benefits for eligible workers.

Coverage

The Job Security Assistance Act would extend mandatory coverage to those workers in agricultural businesses which employed four or more workers in each of 20 weeks or paid $5,000 in wages in a calendar quarter during the current or preceding calendar year. While we certainly favor the proposed extension of coverage, we believe that the time has come for the program to take on the coverage of all wage and salary workers. There is no reason for continued denial of protection to any group of agricultural workers, public employees, workers employed by nonprofit organizations or domestic workers. The workers who would remain uncovered, many of whom are employed in low-wage jobs and in jobs which are at work force entry level, are among those who especially need the protection of this program.

Disqualification from benefits

One of the most objectionable features of the Job Security Assistance Act is the proposal to prohibit the payment of unemployment benefits to any person who a state finds to be a striker under the law of that state. This would force states such as New York and Rhode Island, which merely postpone benefits in situations of labor dispute, to change their unemployment compensation provisions. We urge you to delete this amendment from the Act.

Conclusion

In the more than 30 years since the federal-state unemployment compensation system was established, our experience with most states is that in the administration of unemployment insurance laws they are guided more by a policy of finding ways to restrict or deny the insurance than by a more humane policy of implementing the laws as effective instruments for protecting workers' incomes during periods of unemployment. This Committee has before it an opportunity to make

the system work as it was intended to by providing mandatory federal standards for benefit levels, duration, eligibility and coverage. We urge that this important step forward be taken.

Mr. BLUESTONE. We in the UAW welcome the opportunity to present our views on our Nation's unemployment and compensation system. As you know, the unemployment in the auto industry has reached depression levels in the recent months. While some of our members have been brought back to work recently, nevertheless, there is no current assurance as Congressman Esch pointed out, that there will be an upturn in the very near future.

Overall unemployment in the Nation in March numbered about 4¾ million. There is every indication that the unemployment picture will worsen rather than improve.

Frankly, we were somewhat surprised if not shocked by the announcement last week that GNP was down by 5.8 percent in the first quarter of 1974 which would indicate that we can anticipate further, rather than less, unemployment.

With regard to the automobile industry itself, I believe it would be fitting if we took issue with the statement made off the cuff by the representatives of the administration this morning in response to a question by the committee. The Department of Labor indicated that the auto industry layoff situation is represented by about 100,000 currently. Our own figures would indicate that this is far short of the actual.

As a matter of fact, in all likelihood just among the big three corporations themselves, Ford, Chrysler, and General Motors, the figure 100,000 would apply. In General Motors, for instance, we have currently estimated about 65,000 workers or about 15 percent of that work force currently on indefinite layoff. There is little prospect of any massive recalls in the months ahead.

As a matter of fact, this summer we anticipate model change layoffs in which tens of thousands of workers will be laid off for a temporary period. But some of these model changes will be over an extended period of time.

In Southgate, Calif., for instance, the model change will take 4 months or more with the employees laid off during that period.

In the town of Livonia, a suburb just ouside of Detroit, we have a situation in which a plant of 4,200 had an employment reduction so that we were left with only 242 in that plant. Since then approximately 150 have been added to the rolls with little immediate prospect of the remainder coming back to work very soon.

In the city of Flint, which is the central core of the GM establishment, the last figures for March indicated an unemployment rate of 18 percent which exceeds even the national average during the deep depression of the 1930's.

So we have a very, very serious situation. Now as the Department of Labor pointed out, the President in 1969 called upon the States to act within the 2 years next following to meet the President's goal, and that is benefits of 50 percent of wages to at least 80 percent of insured workers. He felt if this were done by the States it would avoid the need for Federal action that is currently under consideration by this committee.

However, despite his request and his plea to the States, there were only four States which even met this goal set by the President in 1969: Arkansas, District of Columbia, here, Hawaii, and South Carolina, and a fifth State, Utah, came close to that goal but did not quite meet it. That meant altogether that among the five States which did meet the goal established by the President in 1969 which was too low in the first instance, only 3.7 percent of the Nation's work force was covered.

On the other hand, 47.3 percent of the covered work force is in States where no individual earning the average wage or higher or even significantly less than the average wage can receive a weekly benefit equal even to the 50-percent figure which the President asked for.

Now, in addition to that, we have suffered with the whole question of experience rating State by State which in effect has placed one State in competition with another. I might say that our experience has been that employers have not been reluctant to hold the threat of plant relocation over the heads of State legislators who may be contemplating unemployment insurance improvements.

We see an outflux from the North and Northeast to the South and West of plants that leave in order to take advantage of these kinds of employer extra benefits.

In the UAW we have a very strong preference for federalizing the unemployment compensation system instead of having 50 separate and different individual systems as we currently have, each with separate benefit structures, separate qualifications, and eligibility requirements.

From our point of view, unemployment insurance will not be a truly reliable, effective, and compassionate instrument of enlightened social policy in what is now essentially a national economy and a labor market which transcends local and State boundaries until it is federalized and made a part of a comprehensive manpower and income maintenance system which will put a national floor under income and provide employment opportunities to all who are able to work.

Whether the system is federalized or operated separately by the States in accordance with Federal standards, the standards ought to be far more than those proposed by the Job Security Assistance Act.

Unemployment insurance is a way of helping the unemployed worker sustain the standard of living which his wages have provided; the benefit amount, except for those with very high incomes, should relate closely to his usual wage level. The UAW, therefore, favors establishing a Federal benefit standard that will replace 66⅔ percent of a jobless worker's full-time weekly wage up to an amount equal to the statewide average weekly wage. As you know, in the administration's proposal, the rate of replacement is 50 percent and the maximum of 66⅔ of the average wage.

We also feel that any bill which is passed should include in it certain qualifying requirements so that it is not up to each State individually to have its own qualifying requirements each separate from the next. We would recommend a Federal bill require a minimum of not more than 10 weeks of employment covered or uncovered in the worker's base year because once a worker has established his eligibility he ought to receive the full measure of insurance protection.

One of the problems is where we tie benefits to length of employment; the less experienced workers, who are the last to be hired and first to be laid off, are likely to need compensation for longer periods and under the present circumstances their compensation end up sooner and more often than workers with longer employment records.

In our kind of system it is the low seniority workers, the low service workers, who take the brunt of layoff situations. Similarly with regard to the waiting period, we feel that the 1-week waiting period before compensation becomes applicable should be eliminated. It has been abolished in several States now: Alabama, Connecticut, Delaware, Kentucky, Maryland, Nevada, New Hampshire, and in 1974 the State Legislature in Michigan abolished the waiting week.

A worker must bring home a paycheck every week to keep his family in well-being. To say that he should have to forego 1 week as a waiting period is simply to say to him that he should have no income during that period and simply go further into debt.

I might say that anyone familiar with the working population in this Nation will know that workers generally have to live week-by-week as their paychecks come in.

With regard to duration which has been so much discussed this morning, we think it is reasonable to assume that a longer duration than that which is now provided should be established. We think that there should be a minimum of 52 weeks' duration at all times and in addition to that, surplus or excess coverage at the point where emergency considerations must be considered.

Mr. ULLMAN. Mr. Bluestone, excuse me for interrupting you, but your statement is really too important to cut short. Would you mind coming back at 2 and completing your statement?

Mr. BLUESTONE. I will be very happy to, Mr. Ullman.

Mr. ULLMAN. Without objection, the committee will recess until 2 p.m.

[Whereupon, at 12:15 p.m., the committee recessed to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. GIBBONS [presiding]. The committee will come to order.

Mr. Bluestone, you may continue.

Mr. BLUESTONE. Thank you.

I was talking as we recessed about duration of benefits. It would appear to us that all reasonable persons would agree that the duration of a period longer than currently exists in the various State laws is an essential element to any consideration by the committee. We feel that there should be a Federal standard providing for a maximum duration of unemployment compensation benefits of 52 weeks at all times aside from any emergency considerations.

Now, in this regard, I noted this morning that the administration people said that in some industries, such as steel and auto, there are supplemental benefits which are given to the workers who are unemployed.

It might be well to spend a moment concerning this matter because I believe a wrong impression was left. These benefits are negotiated into our contracts. In effect, the money which goes to pay for those

benefits is money which comes out of the economic package which otherwise might have been in wages or some other benefit, but in effect, is workers' money.

It is put into a fund based upon a requirement of the contract. However, it is not an unlimited fund. If the layoffs are sufficiently severe as they are currently, it is possible, if not likely, that that point will be reached when the fund will no longer be able to pay full benefits for each credit accumulated by the workers.

In addition to that, this is supplementation not only during the 26-week period which most States have as their duration of benefits, but also beyond the 26 to a total of 52 weeks depending upon the credits accumulated by each individual employee.

It seems hardly fair or right that the workers themselves should have to subsidize the extent of the duration of their benefits simply because society has failed to take care of that. Fifty-two weeks of unemployment compensation, we think, is fair, especially in view of the fact that under current rules and regulations there are literally tens of thousands and even as many as 1,800,000 workers whose unemployment went beyond the normal 26-week period and whose unemployment compensation benefits therefore were exhausted.

Another point we would like to make relative to the whole question of emergency and crisis situations is that historically the bills which have been approved by Congress and placed in law have established a triggering mechanism of one kind or another. This is also included in title II of the administration's proposal.

In effect, a triggering mechanism also is an unfair method of determining whether employees who are laid off should continue to receive benefits. A worker should continue to receive his benefits within the confines of established duration as long as he is eligible for them because he cannot find a job elsewhere.

One must always keep in mind that there are requirements and qualifications for receiving unemployment compensation if there are enough jobs available and these jobs are offered to the worker and they fall within the qualifying requirements of the law then the worker's unemployment compensation would cease if he refuses to accept employment.

With regard to coverage, the Job Security Assistance Act submitted by the administration would extend mandatory coverage to those workers in agricultural businesses which employ four or more workers in each of 20 weeks or pay $5,000 in wages in the calendar quarter during the current or preceding calendar year.

In this respect, obviously the administration's proposal represents progress as contrasted with the current law. We favor the proposed extention of coverage, but we fail to see why this should be restricted to agricultural workers or only to a segment of agricultural workers. It should cover all wage and salary workers. There is no reason for any continued denial of protection to any group of workers whether they be agricultural, public, or workers employed by nonprofit organizations or domestic workers. The workers who would remain not covered under the administration bill are employed generally in low-wage jobs and in jobs which are at work force entry level.

Therefore, they need very special protection because they are among the "have not" workers in our country.

We are also urging that there be deleted from the act the amendment proposed by the administration which would disqualify workers from receiving benefits if they are on strike. We note that the administration takes this position on the basis of the claim that Government should be neutral.

I believe the committee might forgive us in the labor movement if we have some strange feeling that this administration is not particularly neutral when it comes to labor matters. As a matter of fact, when the administration argues that it wants to remain neutral, it does remind me a little bit of an old, old story that emanated out of World War II of two citizens of a neutral country who were walking along the shoreline when they noticed a submarine just about 100 feet offshore.

One of them said, "By God, that is a Nazi submarine," and he immediately pulled out a shotgun and was prepared to do damage to it.

His friend said, "Wait a minute. We are neutral in this war."

At which point the man carrying the shotgun said, "Yes, but who are we neutral against?"

We have the feeling that the Government's argument in this case falls into that category. We believe that that amendment should be deleted.

In the more than 30 years since the Federal-State unemployment compensation system was established, our experience with most States is that in the administration of unemployment insurance laws they are guided by a policy more of finding ways to restrict or deny the insurance than by a humane policy of effectuating the laws for workers to protect them during periods of unemployment.

This committee has before it a rare opportunity to make the system work as it was intended to by providing mandatory Federal standards for benefit levels, for decent duration, eligibility, and coverage. We urge that the committee make this important step in the history of unemployment insurance in this country.

Mr. ULLMAN [presiding]. Thank you, Mr. Bluestone, for a very thorough paper and some very provocative recommendations.

Are there questions?

Mr. Schneebeli?

Mr. SCHNEEBELI. Mr. Bluestone, your very fine reputation precedes you. We have all heard about you and your great capacity. We welcome your ideas.

You mentioned at the outset that probably sometime this summer there will be an interruption of production at model change time. Aren't they changing some of the models now, going from the big car to the smaller car? Wouldn't this be considered a model change we have just gone through in February and March?

Mr. BLUESTONE. In the Ford Motor Co. there has been one plant that has gone through a conversion period obviously from large cars to small cars. That is obviously a model change out of season.

With regard to General Motors, there is one plant effectively shutdown April 5. It is not expected that that will begin operation until

sometime in August. That is outside Los Angeles where they are converting from standard size to production of the Vega, a small car.

Regarding other changes taking place, practically all of them will be taking place during the normal model change period which in many instances will require a period of model change longer than usual because of the enormous number of changes necessary in each plant affected.

In addition to that, the model changes which take place during the summer period on a normal basis in our industry mean that all of the assembly plants will go down, with very, very few exceptions.

Then there is the ripple effect among the feeder plants, stamping plants, manufacturing plants, et cetera, which also will be down, but not for as long periods of time. They build up their inventories in anticipation of the new model run. But we can anticipate tens and tens of thousands of workers to be laid off this summer.

Mr. SCHNEEBELI. So they have two layoffs.

Br. BLUESTONE. It is more than two layoffs. The layoffs began December 17 last year and while there have been enormous numbers of people laid off indefinitely with little opportunity of returning to work in the very near future over and above that, many, many plants have been down for a week at a time in order to reduce inventories. Those people are equally affected in terms of the need for unemployment insurance.

In the past 2 weeks we have seen some upturn in the sense that scheduled plant shutdowns have not taken place, but layoffs are still occurring.

Mr. SCHNEEBELI. You indicated there were 100,000 people unemployed in the auto industry. What percentage of normal employment does this number represent?

Mr. BLUESTONE. As I noted earlier, the 100,000 figure was an off-the-cuff figure given by the Department of Labor. We challenge that figure. It is far too low. The figure is closer to 150,000 or possibly even 200,000 out of a total employment in the industry of about 800,000.

Mr. SCHNEEBELI. Then it ranges from 12 to 25 percent. Production is off about 25 percent in the case of General Motors. Are they absorbing the difference in percentage? It seems there would be a closer correlation between sales and temporary layoffs.

Mr. BLUESTONE. There is a certain number of people who must be in the plant even when sales decline. There are all kinds of maintenance employees, tool-and-die employees for purposes of developing tooling for the new model. There is not a direct correlation between a reduction in sales and a reduction in employment. Sometimes employment will dip even farther than the reduction in sales. Sometimes it will not.

Mr. SCHNEEBELI. You also mentioned that GNP has decreased 5.8 percent in the first quarter. Unemployment, however, has been relatively the same since the first of the year, and I was going to ask you why a translation into higher unemployment figures wasn't more direct.

Mr. BLUESTONE. The Department of Labor stated that the work force declined.

Mr. SCHNEEBELI. Don't we have a larger work force?

Mr. BLUESTONE. As I recall, the work force went down about 60,000 in the first quarter of this year. I believe that figure is correct if my memory serves me correctly.

In addition to that, normally we would find a ripple effect following which we believe will be represented by an increased unemployment figure in the several months into the future. I am not an economist and I don't have the direct and precise answers to your question, but I would suggest that when an economy is on the way down it takes an enormous number of suspenders to bring it back up again in a hurry. We can anticipate there will be further decline rather than a sharp upturn.

Mr. SCHNEEBELI. Thank you, Mr. Chairman.

Mr. ULLMAN. Are there other questions?

Mr. DUNCAN. How many jobs are related to the automobile industry outside of the actual manufacturing?

Mr. BLUESTONE. It has been said, Mr. Congressman, that the automobile industry affects one out of seven jobs in the Nation. So when you think of it in terms of the textiles which are being used, the plastics, the steel, the service stations, the oil industry, the figure that has been used is that one out of every seven workers in the country are affected in some way by the automobile industry.

Mr. DUNCAN. Mr. Bluestone, how many automobiles were manufactured during the past month?

Mr. BLUESTONE. I don't have the figure offhand. I think it is somewhere around 600,000, but I am not certain.

Mr. DUNCAN. Do you have an analysis of how that would compare with last year?

Mr. BLUESTONE. In February 1974, total cars produced, 562,243. The figure for March will be up slightly. Now a year ago the figure for February was 855,481.

Mr. DUNCAN. Was that a big year?

Mr. BLUESTONE. That was the biggest year in the history of the industry.

Mr. DUNCAN. Thank you very much.

Mr. ULLMAN. Thank you very much. We appreciate your testimony. You have been very helpful.

Our next witness this afternoon is Mr. Paul Tierney of the Transportation Association of America.

Mr. Tierney, we are glad to have you with us. Would you further identify yourself for the record. We will be glad to hear you.

STATEMENT OF PAUL J. TIERNEY, PRESIDENT, TRANSPORTATION ASSOCIATION OF AMERICA

Mr. TIERNEY. Thank you, Mr. Chairman.

As you indicated, I am president of the Transportation Association of America. My written statement is relatively brief, Mr. Chairman. I will cut it down as much as I possibly can in the interest of conserving time.

If I may for the moment for those of you who are not familiar with our association, TAA is a national nonprofit organization whose membership is comprised of carriers of all modes of transportation, users

of the services of those carriers, and investors in the transportation industry. Policy development within the TAA organizational framework is performed by eight separate panels, each representing a membership grouping—the air, freight forwarder, highway, investor, pipeline, railroad, user and water panels—subject to final approval by the board of directors which represents all membership categories. Special committees, such as the TAA Labor Committee, provides advice and information with respect to particular subject areas.

My appearance today is for the purpose of supporting certain provisions contained in H.R. 8600 and in the new unemployment compensation proposal transmitted by the administration in Executive Communication No. 1897 concerning the payment of unemployment compensation benefits in labor disputes. The specific language included in H.R. 8600 reads as follows:

Sec. 3(a). Section 3304(a) of the Internal Revenue Code of 1954 is further amended by adding after the paragraph added by section 2 of this Act the following paragraph (14).

"(14) Compensation shall not be paid to any person who the State finds is a striker under the law of that State. Compensation shall not be denied to any other person otherwise eligible who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State."

This language is in full accord with the following policy developed and promulgated by TAA: "Taxpayers' funds, or government-managed or government-sponsored funds, should not be available to strikers."

The use of public funds—including unemployment compensation moneys—to support strikers is, in our view, repugnant to the principles of collective bargaining in a free enterprise system. Strikes constitute essentially private-party disputes under the collective-bargaining process, and should therefore be as free as possible from external influence. If one side to such a dispute is able to enlist the Government as a fiscal ally, the careful balance that must be maintained if collective bargaining is to operate effectively in the real-world environment is impaired. Both philosophically and pragmatically, the payment of public funds to strikers is therefore foreign to the basic precepts of the collective-bargaining process as incorporated in the National Labor Party.

A very real potential consequence of payment of public funds to strikers is the prolonging of labor disputes. To the extent strikers are shielded, through use of public moneys such as unemployment compensation benefits, from the consequences of their actions, their motivation to bring the strike to a prompt end is diminished. We believe it is in the national interest that economic disruptions caused by labor disputes be minimized to the greatest possible extent, and believe that availability of public assistance to strikers mitigates against this end.

The basic concept of unemployment compensation is to protect those who are unemployed for reasons other than their own choosing. In this context, we note that all States bar payment of unemployment compensation to individuals who have resigned their jobs for other than good cause—which may or may not be refined as to definition. The striker is an individual who has voluntarily, through his participation in activities of his union, left his job; whether or not good cause exists

for such action is a matter to be resolved through collective bargaining, not through administrative action by governmental offices.

Beyond this, there is the further point that the funds used for unemployment compensation derive from taxes paid by employers. In a very real sense, therefore, where unemployment compensation benefits are available to strikers, an employer is placed in the anomalous position of effectively helping to finance the strike against him.

An extension of this principle may be applied to the transportation industry, where the Government-regulated structure of rates assessed the public is largely dependent on carrier cost levels. A strike causes the public to suffer from transportation service deficiencies; at the same time, the public has, through the rate structure, participated in providing the unemployment compensation moneys that are being disbursed to the strikers. The public, thus pays for its own inconvenience, and suffers on all fronts.

We are fully aware that, in virtually all labor disputes, the vote to strike is not unanimous within the union membership. Arguments have been advanced that those voting against a strike should not be penalized for being in the minority. However, all members of the union, whether or not personally favoring a strike, have an equal economic interest in the labor dispute which engendered that strike, and must in equity be given equal treatment as respects unemployment compensation benefits.

Further, it is administratively impractical to attempt to distinguish between strikers on this basis as respects payment of unemployment compensation. Questions concerning the rights of individuals who do not desire to strike, but who are compelled to accept the majority position of the union, are not for resolution in this context but go rather to the heart of broader issues involving union shops and the right to work.

It is of some significance that, according to our information, 48 of the 50 States have given some recognition to the principles I have discussed. These 48 States provide for ineligibility of strikers for unemployment compensation, with some variances from State to State.

We believe enactment of the legislation here under consideration is desirable to serve the following purposes:

(1) It will enunciate a national policy position respecting this important area of labor-management relations. The principles of collective bargaining, as contemplated by the national labor policy, in our view require a standardized and uniform national approach to this question, for the reasons I have described.

(2) Two States, including the second most populous in the country, do provide that strikers may receive unemployment compensation payments after specified waiting periods. These States are New York, where the waiting period is 7 weeks, and Rhode Island, where it is 6 weeks; after expiration of these periods, no distinction is made between strikers and nonstrikers respecting unemployment compensation eligibility.

That these waiting periods do not serve to bar strikers from receiving unemployment compensation payments was glaringly demonstrated by the 1971 New York Telephone Co. strike. The New York Times reported that, by the time the strike was in its 20th week, the

State unemployment fund had paid out some $30 million to the 38,500 strikers, with benefits averaging $2.5 million per week; it would be logical to conclude that these payments had helped serve to prolong the strike.

(3) In several States, no distinction is made between strikers actively participating and having an economic interest in a labor dispute and innocent bystanders to that dispute. For example, Ohio law makes all persons unemployed as a result of a labor dispute ineligible for unemployment compensation, regardless of their status in the dispute; New York extends the same waiting period requirement to both strikers and innocent bystanders. The proposed amendment to section 3304(a) of the Internal Revenue Code would correct that situation.

This concludes my statement. Thank you very much for giving me this opportunity to express the views of TAA on this subject.

Mr. ULLMAN. Thank you, Mr. Tierney.

Are there questions?

Mr. GIBBONS. Mr. Tierney, you also represent the railroads. Don't the railroads pay strikers?

Mr. TIERNEY. Yes, sir. As a matter of fact, their situation is unusual because under ordinary unemployment compensation you have to wait 6 to 8 weeks as in New York and Rhode Island. There the unemployment compensation financed by the railroads themselves are effective immediately. So they immediately finance the strike against themselves.

Mr. GIBBONS. How about the airlines? As I understand it, if one of them is on strike they pool their revenues, don't they?

Mr. TIERNEY. The management does, that is correct.

Mr. GIBBONS. Where do they get the authority to do that?

Mr. TIERNEY. That is, of course, their own money.

Mr. GIBBONS. I understand that. It was the passengers' money. Let's put it that way. I just paid them a lot of money yesterday so I feel rather strongly about it. But it is the passengers' money which is pooled. That is kind of unusual. I don't know of any other business that does this. I imagine if other businesses did it, they would be slapped with some antitrust violations or something, wouldn't they?

Mr. TIERNEY. I don't think so. As far as I know, that has not been so determined.

Mr. GIBBONS. Is it only the airlines that do it?

Mr. TIERNEY. The only carriers I know; yes, sir.

Mr. GIBBONS. They don't have any special legislative provision that allows them to do it.

Mr. TIERNEY. I guess I would put it another way. I know of no special legislation which prohibits them from doing it.

Mr. GIBBONS. I wonder how, taxwise, they do it. Can they give away income? Does your association know about this? How do you treat this, taxwise, as a businessman?

Mr. SCHNEEBELI. Is it after tax or before tax?

Mr. GIBBONS. That is what I wonder. Does anybody know?

Mr. TIERNEY. That I don't know.

Mr. GIBBONS. I have only heard of this in the case of airlines. I thought there might be a special provision of the Federal statutes that allowed them to do this. You don't know of anybody else who does it?

Mr. TIERNEY. No, sir. As I understand it, this in effect is the airlines' response to selective strike action.

Mr. GIBBONS. Thank you.

Mr. ULLMAN. Are there further questions? If not, Mr. Tierney, thank you very much. You have been very helpful to us.

The next witness this afternoon is Mr. S. Rayburn Watkins.

Mr. Watkins is president of the National Labor-Management Foundation. We welcome you before the committee, Mr. Watkins. Would you further identify yourself for the record. We will be glad to hear you.

STATEMENT OF S. RAYBURN WATKINS, PRESIDENT, NATIONAL LABOR-MANAGEMENT FOUNDATION

Mr. WATKINS. Yes, sir.

My name is S. Rayburn Watkins from Louisville, Ky. I am appearing today as president of the National Labor-Management Foundation, an association of approximately 3,500 employers from all 50 States in the Nation. Most of the members are small rather than large. The foundation provides a variety of programs and services in the area of labor-management relations.

I appreciate the opportunity to present arguments today in favor of maximum State control and minimum Federal involvement in such matters as unemployment compensation. Since you are likely to be swamped with statistics supporting all sides and shades of opinion, I want to take a slightly different tack and discuss unemployment compensation in context with the problem of proliferating Government dictation of nearly every aspect of a person's life.

The Congress has enacted laws and the executive agencies and the courts have expanded upon them to the point that the average businessman has but little real freedom left in an economic sense. The employer is told whom to hire, how much to pay, what hours to keep, and in many instances what prices to charge. Such proscriptions are antifreedom in concept. It has reached the point that an employer hardly "hires" a person any more to perform certain work for a certain amount of pay.

To meet all the laws, rules and regulations of State and Federal Government, an employer must virtually "adopt" his employees. The cost of employee benefits today average approximately 30 percent over wage costs themselves. Some of these costs are borne voluntarily by employers for valid reasons of their own, and others are the result of governmental requirements.

It is time, however, that serious questions were asked about the constantly expanding role of Government in such areas. Does the Congress feel that the only true wisdom must emanate from a Big Brother government? Does Congress presume that only the bureaucracy in Washington and its legislative running mates know what is best for each State and territory?

We are supposed to have a federal system of government in which the States are basic units, with certain specified powers delegated to the national level. This seems like an elementary kind of thing to say, but even a casual view of what has been happening leads to the

conclusion that the American form of Federal Government is being rapidly repealed. I speak today against further mutilation of this system of shared powers.

The fact that this shift of power to Washington has been accomplished largely through elective processes is little comfort when one recalls that most leviathian states throughout history have had the actual, or at least tacit approval of the people. Even the dictatorship of Hitler in Germany was launched originally by the democratic process.

So it is not a mere exercise in theory when I voice opposition to the continued Federal usurpation of power. Federal mandates on benefit amounts and other aspects of unemployment compensation would constitute one more unnecessary backward step for the federal system and another unnecessary erosion of local self-government.

Surely it cannot be lost upon Members of the Congress that States vary widely in climate, topography, wage patterns and economic activity. And surely the members of this august body will not argue that they know any more about the unemployment compensation needs of any State or territory than the duly elected local legislative bodies within those areas.

It is rare indeed that a State legislature completes a session without several unemployment compensation proposals being on the agenda. Over a period of years, the trend in benefit levels has been decidedly upward. But whether it is upward, downward, or stagnant, it is a matter better to be decided within the States than by the Government in Washington. That is, unless one adopts the posture that only Big Brother has the proper answer to any public question. History would certainly cast grave doubts upon such an assumption.

As members of the Ways and Means Committee, you should be more aware than most people that nearly every Federal program costs well in excess of its original projected expenditure level. Medicare and medicaid costs, to cite one example, exceed original predictions by several hundred percent. And I can count on the fingers of one hand the number of years during my adult lifetime in which the Federal Government has lived within its budget.

The Nation would be better served if the Ways and Means Committee would leave such things as unemployment compensation to the States and turn its attention to stopping deficits and restoring some semblance of solvency to Federal affairs. Since the middle fifties the various States have increased unemployment compensation benefits at a rate substantially greater than the increase in the Consumer Price Index—and that is quite a challenge, in view of the federally financed inflation we have witnessed.

There is no need for the Congress to force every State into the same pattern. One of the principal virtues of the Federal system is the idea that one State does not have to copy the proven failures of another. But a mistake at the Federal level pulls everyone down at the same time.

Individually, Members of the Congress are of a high order of intelligence. And I certainly question the integrity of no one. Yet, I do challenge the results of collective Washington decisionmaking in a great

many areas. It has produced deficit spending, deteriorating currency, and a steady transfer of personal freedom and State authority to a Frankenstein state that now appears to be running beyond the control of its presumed masters, and I might interject that many of those who are speaking along these lines now are Members of Congress themselves.

Since I have spoken pointedly and frankly, I want to add that I also speak with respect. I merely urge the Congress, in asserting its own prerogatives, to keep in mind that States have prerogatives, too. I urge recognition of the fact that the unemployment compensation system is being changed from year to year by legislative bodies far closer to the scene than you people. And I plead for your acknowledgment that there is some wisdom left at the grass roots level of government, as well as in the Congress.

Thanks for giving me this time and for your courtesy in hearing me out.

Mrs. GRIFFITHS [presiding]. Thank you very much.

Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Watkins, I think you are aware that both House and Senate have passed budget control bills. I think you will find that this legislation will go a long way toward meeting one of your chief concerns and that is the matter of continuing deficits. The legislation is about to go to conference. I think when it is implemented, we will have control over expenditures which we may not now have.

Mr. WATKINS. I congratulate any move in that direction.

Mrs. GRIFFITHS. Mr. Gibbons.

Mr. GIBBONS. I wonder how the witness feels about the two States that pay unemployment compensation benefits to strikers. Do you think we ought to take them out of that business?

Mr. WATKINS. I don't favor the payment of unemployment compensation benefits to strikers, but I think it should be left to the States.

Mr. GIBBONS. How about the airlines' pooling funds in the case of a strike?

Mr. WATKINS. It is their money. You made the point to an earlier witness that it was a customer's money. It is not the customer's money after they pay it to the airline to buy a ticket for transportation. After that point it is the airlines' money.

Mr. GIBBONS. I found that out yesterday. I also found out that the price of flying had gone up substantially because the CAB had given the airlines a price increase.

Mr. WATKINS. I imagine that many acts of Congress that forced up the cost of doing business contributed to that, too.

Mr. GIBBONS. That is probably true. You'd better save your Confederate dollars.

Mr. WATKINS. They may be worth more soon than the Federal dollars printed by the Federal Reserve.

Mr. GIBBONS. Thank you.

Mrs. GRIFFITHS. Any other questions?

If not, we would like to thank you for being with us today.

Mr. Eubank, will you identify yourself and you may proceed.

STATEMENT OF MAHLON Z. EUBANK, DIRECTOR, SOCIAL INSURANCE DEPARTMENT, NEW YORK CHAMBER OF COMMERCE AND INDUSTRY

Mr. EUBANK. My name is Mahlon Z. Eubank. I am director of the Social Insurance Department of the New York Chamber of Commerce and Industry, the oldest chamber of commerce in the world. I request that my full statement be put in the record and I will summarize it now.

Mrs. GRIFFITHS. Without objection it will be.

Mr. EUBANK. We appreciate this opportunity to testify before your committee and give our views on the areas covered in this hearing. Our comments follow.

THE FEDERAL BENEFIT STANDARD

The original concept of the unemployment insurance program would be destroyed by Federal benefit standards.

When the Social Security Act first was enacted in 1935, it left full responsibility and discretion with the States to determine eligibility conditions, benefit amounts, and duration of benefits. Committee reports of both the Senate and House in connection with the original Social Security Act contain the following statement:

> Except for a few standards which are necessary to render certain that the State unemployment compensation laws are genuine unemployment compensation acts and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington—Likewise, the States may determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential because the rate of unemployment varies greatly in different States, being twice as great in some States as in others.

This original concept of State responsibility in unemployment compensation was sound then and is just as sound today. If Federal benefit standards are enacted into law, essential State responsibility would be destroyed and the present unemployment insurance system could develop into a program having relief overtones.

CLAIMANT'S WEEKLY BENEFIT AMOUNT

The standard proposed requires that the weekly benefit amount of any eligible individual for a week of total unemployment shall be equal to at least one-half of his gross average weekly wage up to a stated maximum. The first unemployment insurance law enacted in New York (Laws of 1935, ch. 468) contained that requirement (505).

Since then, New York has improved its benefit formula by providing for payment of more than 50 percent of full-time wages to many claimants drawing benefits in the State under the present schedule. The benefit amount of a claimant having an average weekly wage of less than $31 is $20 a week. Thus, a claimant who has an average weekly wage of $20 would obtain 100 percent of this amount. Weekly benefit amounts are 60 percent or more of average weekly wages for

claimants having an average weekly wage of $40 or less. All other claimants receive 50 percent or more.

This indicates that State experimentation can work to the advantage of the low wage earner who invariably needs a higher percentage of his gross wages than those paid more.

THE MAXIMUM WEEKLY BENEFIT AMOUNT

The proposed standard requires each State to have a maximum benefit amount of at least 66⅔ percent of the statewide average weekly wage. On the charts before this committee, the maximum weekly unemployment compensation benefit amount is $75. It is pointed out that this amount is certain to be raised to $95, effective July 1, 1974. This $95 weekly benefit amount is adequate, measured against more realistic standards, as is set forth hereafter.

(*a*) The maximum benefit rate in New York has more than kept pace with the rise in living cost.

One of the reasons given for the proposed standard is that the States have no increased maximum weekly benefit amounts to keep pace with the rising cost of living from the time they first enacted unemployment insurance laws. This is not true in New York.

At the time New York enacted its first unemployment insurance law—1935—the waiting period was 3 weeks, $15 was the maximum benefit amount and duration was limited to 16 weeks. A claimant with the $15 weekly maximum who drew 16 weeks of benefits could receive a total maximum of $240. Today the waiting period is 1 week, the maximum weekly benefit will be $95—6⅓ times $15—and duration is 26 weeks. The maximum amount a claimant can draw in benefits will be increased from $240—$15 times 15 weeks—to $2,470—$95 times 26 weeks. This is over 10 times what a person could draw in 1935.

According to the Consumer Price Index and other economic data in the 1974 purchasing power of New York's unemployment insurance maximum weekly benefit amount of $95 is 125 percent greater than the $15 of 1935. The total maximum benefits that will be drawn—$2,470—have a purchasing power of 262 percent more than the $240 of 1935. This clearly shows that New York claimants will be much better off in 1974 than they were in 1935 and that the maximum weekly and total benefit amounts they will receive have more than kept pace with rising living costs. It strongly indicates that benefits are adequate in New York today and that the proposed standard is unrealistic.

(*b*) The average weekly wage of claimants.

Certainly, if the adequacy of weekly benefit amounts is an issue, it should be resolved by a consideration of benefit amounts in relation to wages that have been paid to those actually claiming benefits. It is grossly misleading to measure the adequacy of benefits with reference to a norm—that is, average wage of all covered workers—which by its very design cannot have a reasonably approximate relation to the problem of adequacy of benefits for those who receive them.

DENIAL OF BENEFITS TO STRIKERS

H.R. 8600 provides a Federal standard which proposes to deny unemployment insurance to strikers. This provision is set out below:

(14) Compensation shall not be paid to any person who the State finds is a striker under the law of that State. Compensation shall not be denied to any other person otherwise eligible who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State.

The chamber has policy against the payment of benefits to those unemployed because of a labor dispute on the State level and has sought to have the New York Legislature correct the New York statute which permits the payment of benefits to those unemployed because of a labor controversy—including a lockout—after 7 weeks. It is also the policy of the chamber to oppose any Federal standard on the maximum weekly benefit amount on the grounds that legislation on this subject should be the sole responsibility of the States. It is therefore inconsistent with the policy of the chamber to oppose a Federal standard on the maximum weekly benefit and approve a Federal standard on the payment of benefits to strikers.

Due to militant opposition of labor, the New York Legislature has not amended the law to prevent the payment of unemployment insurance benefits to strikers after 7 weeks. It is possible, we believe, that labor would continue this opposition even though it is mandated as a Federal standard. If they were able to defeat such legislation, the New York law would be out of conformity and its employers would be required to pay both a gross Federal tax of 3.2 percent plus their applicable State unemployment insurance tax rate.

Under the provision in H.R. 8600, denial of benefits relate to strikers and innocent bystanders to labor disputes. It is not clear whether the State is required or permitted to deny benefits in case of a lockout or those who are participating, directly interested, or financing the labor dispute. Such individuals certainly are not strikers as the term is customarily used.

We favor coverage of agricultural employment. H.R. 8600 would apply the Federal unemployment tax to farm employers who, during the current or proceeding calendar year, (*a*) employed four or more workers in each of 20 weeks or (*b*) paid $5,000 in wages in a calendar quarter to individuals employed in agricultural labor.

We support this extension of coverage because Federal and State studies have shown that coverage of agricultural employees for unemployment insurance benefits on the basis proposed is reasonable and feasible.

EXTENDED BENEFITS PROGRAM

Title II of H.R. 8600 and other bills would provide an extended unemployment benefits program during recession periods. These measures differ as to the trigger mechanism and duration.

Under its policy, the chamber asserts the time has come for the enactment by the Federal Government of a permanent extended benefits program during recession periods whereby State unemployment compensation benefits would be extended for 13 weeks with the States paying one-half and the Federal Government paying one-half. Such

benefits would be paid, at the option of the States, for any 13-week period when:

1. The rate of insured unemployment for any consecutive 13-week period is between 4 percent and 6 percent and the average of such rates is 20 percent higher for the corresponding 13-week period ending in the preceding year or,

2. The rate of insured unemployment for any consecutive 13-week period is 6 percent or more.

The rate of insured unemployment in New York is affected by seasonal unemployment—primarily apparel, construction, and canning industries—and weather conditions during the first and last quarter of each year. These, rather than economic conditions, could trigger extended benefits.

The New York Department of Labor calculates each week in the year the rate of insured unemployment for that week. These rates are up to date. In addition, for the same weeks it calculates the seasonally adjusted insured unemployment rate. Presently such rates are available up to the 26th week of 1972.

On the week ending February 2, 1974, extended benefits in New York were triggered because the insured unemployment rate was 4.13 percent for this and the proceeding 12 weeks. At that time the 20-percent trigger was no longer part of the trigger mechanism. If it had been part of the law, benefits would not have been extended in New York. Although no figures are available for the seasonally adjusted insured unemployment rate for this 13-week period, the affect of seasonal unemployment on the insured unemployment rate can be shown by the fact that the rate of uninsured unemployment for the third week in 1970 was 4.2 percent and for the same week the seasonally adjusted insured unemployment rate was 3.08 percent.

Extended benefits were triggered in New York on the 13th week ending December 26, 1970, because the rate of insured unemployment was over 4 percent and the 20-percent trigger was met. Benefits were triggered off on July 2, 1972. During this period the insured unemployment rate for the first week of 1972 was 6.01 percent and the seasonally adjusted insured unemployment rate for the same week was 4.14 percent.

When agricultural labor, including migrant workers, is covered, the rate of insured unemployment in New York could increase and this might alone trigger extended unemployment compensation insurance. Seasonal and weather conditions are with us during times of good, average, and bad unemployment. This should be taken into consideration in triggering extended unemployment compensation benefits. One way to do this is to again require two triggers, as proposed here, when the rate of insured unemployment is between 4 percent and 6 percent and one trigger when such rate is 6 percent or more.

I would like to make an addendum in view of the testimony that was presented by the Department of Labor this morning.

The Department of Labor in answer to a question stated there was a new standard for ascertaining the insured unemployment rate. Employment is measured by the residence of the employee and unemployment is also counted by the claimant's residence. This could raise the

insured unemployment rate in New York and particularly New York City where thousands of individuals whose unemployment is low commute to New York from New Jersey and other border States.

The number who commute to New York is much lower. We would still have most of the unemployed who normally would be residents of New York.

I wish to thank you for your consideration in hearing me today.

Mrs. GRIFFITHS. Thank you very much. If there are no questions, we do appreciate it and will be sure that your testimony will appear in the record in full.

Mr. EUBANK. Thank you very much.

[Mr. Eubank's prepared statement follows:]

STATEMENT OF MAHLON Z. EUBANK, DIRECTOR, SOCIAL INSURANCE DEPARTMENT, NEW YORK CHAMBER OF COMMERCE AND INDUSTRY

New York Chamber of Commerce and Industry (a merger effective 4/1/73 of the former Commerce and Industry Association of New York and the New York Chamber of Commerce) is not only the largest business organization in New York but also one of the largest in the nation. Among its 3500 members are many corporations headquartered in New York but engaged in multi-state operations. Through its Committee on Social Security, which includes executives from leading national business organizations specializing in this field, and its Social Insurance Department, the Chamber studies and actively presents management thinking on significant unemployment insurance issues on both the federal and state levels.

We appreciate this opportunity to testify before your Committee and give our views on the areas covered in this hearing. Our comments follow.

A. FEDERAL BENEFITS STANDARDS

1. The original concept of the unemployment insurance program would be destroyed by federal benefit standards

When the Social Security Act first was enacted in 1935, it left full responsibility and discretion with the states to determine eligibility conditions, benefit amounts, and duration of benefits. Committee reports of both the Senate and House in connection with the original Social Security Act contain the following statement:

"Except for a few standards which are necessary to render certain that the State unemployment compensation laws are genuine unemployment compensation acts and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington. - - - Likewise, the States may determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential because the rate of unemployment varies greatly in different States, being twice as great in some States as in others."

This original concept of state responsibility in unemployment compensation was sound then and is just as sound today. If federal benefit standards are enacted into law, essential state responsibility would be destroyed and the present unemployment insurance system could develop into a program having relief overtones.

2. Claimant's weekly benefit amount

The standard proposed requires that the weekly benefit amount of any eligible individual for a week of total unemployment shall be equal to at least one-half of his gross average weekly wage up to a stated maximum. The first Unemployment Insurance Law enacted in New York, (Laws of 1935, Chapter 468), contained that requirement (§ 505).

Since then, New York has improved its benefit formula by providing for payment of more than 50% of full-time wages to many claimants drawing benefits in the state under the present schedule. The benefit amount of a claimant having an average weekly wage of less than $31 is $20 a week. Thus, a claimant who has an average weekly wage of $20 would obtain 100% of this amount.

Weekly benefit amounts are 60% or more of average weekly wages for claimants having an average weekly wage of $40 or less. All other claimants receive 50% or more.

This indicates that state experimentation can work to the advantage of the low wage earner who invariably needs a higher percentage of his gross wages than those paid more.

3. The maximum weekly benefit amount

The proposed standard requires each state to have a maximum benefit amount of at least 66⅔% of the statewide average weekly wage. On the charts before this Committee, the maximum weekly unemployment compensation benefit amount is $75. It is pointed out that this amount is certain to be raised to $95, effective July 1, 1974. This $95 weekly benefit amount is adequate, measured against more realistic standards, as is set forth hereafter.

(a) The maximum benefit rate in New York has more than kept pace with the rise in living cost

One of the reasons given for the proposed standard is that the states have not increased maximum weekly benefit amounts to keep pace with the rising cost of living from the time they first enacted unemployment insurance laws. This is not true in New York.

At the time New York enacted its first unemployment insurance law (1935), the waiting period was three weeks, $15 was the maximum benefit amount and duration was limited to 16 weeks. A claimant with the $15 weekly maximum who drew 16 weeks of benefits could receive a total maximum of $240. Today the waiting period is one week, the maximum weekly benefit will be $95 (6⅓ times $15) and duration is 26 weeks. The maximum amount a claimant can draw in benefits will be increased from $240 ($15 x 16 weeks) to $2,470 ($95 x 26 weeks). This is over ten times what a person could draw in 1935.

According to the Consumer Price Index and other economic data in the 1974 purchasing power of New York's unemployment insurance maximum weekly benefit amount of $95 is 125% greater than the $15 of 1935. The total maximum benefits that will be drawn ($2,470) have a purchasing power of 262% more than the $240 of 1935. This clearly shows that New York claimants will be much better off in 1974 than they were in 1935 and that the maximum weekly and total benefit amounts they will receive have more than kept pace with rising living costs. It strongly indicates that benefits are adequate in New York today and that the proposed standard is unrealistic.

(b) The average weekly wage of claimants

Certainly, if the adequacy of weekly benefit amounts is an issue it should be resolved by a consideration of benefit amounts in relation to wages that have been paid to those actually claiming benefits. It is grossly misleading to measure the adequacy of benefits with reference to a norm (i.e., average wage of all covered workers) which by its very design cannot have a reasonably approximate relation to the problem of adequacy of benefits for those who receive them.

New York is one of the states that keeps up-to-date figures on the average wage of new claimants. As of January 1, 1974 the average wage of such claimants was $146.63. On the basis of this amount, the adequacy of the New York weekly benefit amount of $95 is shown below.

	Gross	Take home pay,[1] no dependents	Take home pay,[1] 3 dependents
Average weekly covered wage for claimants	$147	$113.80	$123.40
Maximum weekly benefit amount $95 as percentage	64.6	83.5	77

[1] Withholding tables for Federal and State income tax plus social security were used to calculate take home pay. An additional exemption was used because withholding tables overwithhold. No deduction was made for New York City or other local income tax laws.

(c) The average weekly wage of production workers

New York is one of the few states where the average wage of production workers *is less* than the average wage of all covered workers. Next to the average wage for claimants, this is the best measure to determine adequacy of benefits because high executive salaries and low wages for domestics (New York covers them) are eliminated. The adequacy of benefits using this standard is set forth below.

	Gross	Take home pay,[1] no dependents	Take home pay,[1] 3 dependents
Average wage of production workers	$172	$130.24	$141.44
Maximum weekly benefit of $95 as a percentage	55.2	72.9	67.2

[1] Withholding tables for Federal and State income tax plus social security were used to calculate take home pay. An additional exemption was used because withholding tables overwithhold. No deduction was made for New York City or other local income tax laws.

(d) Average weekly wage of all covered workers

The average weekly wage of all covered workers is inflated by high executive salaries paid at home offices in New York City. It should not be used to measure adequacy of benefits unless the effect of federal and state income taxes (one of the highest in the nation) plus social security deductions are taken into consideration. This is illustrated by the table below.

	Gross	Take home pay, [1]no dependents	Take home pay,[1] 3 dependents
Average weekly covered wage	$188	$142.70	$154.40
Maximum weekly benefit amount $95 as percentage	50.5	66.6	61.5

[1] Withholding tables for Federal and State income tax plus social security were used to calculate take home pay. An additional exemption was used because withholding tables overwithhold. No deduction was made for New York City or other local income tax laws.

4. Denial of benefits to strikers

H.R. 8600 provides a federal standard which proposes to deny unemployment insurance to strikers. This provision is set out below:

"(14) Compensation shall not be paid to any person who the State finds is a striker under the law of that State. Compensation shall not be denied to any other person otherwise eligible who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State."

The Chamber has policy against the payment of benefits to those unemployed because of a labor dispute on the state level and has sought to have the New York Legislature correct the New York statute which permits the payment of benefits to those unemployed because of a labor controversy (including a lock-out) after seven weeks. It is also the policy of the Chamber to oppose any federal standard on the maximum weekly benefit amount on the grounds that legislation on this subject should be the sole responsibility of the states. It is therefore inconsistent with the policy of the Chamber to oppose a federal standard on the maximum weekly benefit and approve a federal standard on the payment of benefits to strikers.

Due to militant opposition of labor, the New York Legislature has not amended the law to prevent the payment of unemployment insurance benefits to strikers after 7 weeks. It is possible, we believe, that labor would continue this opposition even though it is mandated as a federal standard. If they were able to defeat such legislation, the New York law would be out of conformity and its employers would be required to pay both a gross federal tax of 3.2% plus their applicable state unemployment insurance tax rate.

Under the provision in H.R. 8600, denial of benefits relate to strikers and innocent bystanders to labor disputes. It is not clear whether the state is required or permitted to deny benefits in case of a lockout or those who are participating, directly interested, or financing the labor dispute. Such individuals certainly are not strikers as the term is customarily used.

Economic weapons used during collective bargaining negotiations are strikes by the unions and a lockout by the employers. In each case, unemployment insurance benefits are denied for seven weeks in New York to prevent one side from obtaining an advantage over the other when no agreement to settle a labor dispute can be reached. This may be illustrated by the fact that in many trades, employers and unions negotiate on an industry-wide basis. Then, as a matter of

tactics, if the controversy is not settled, the union will strike the weakest employer. To keep the collective bargaining equitable, the other employers involved usually lockout their employees. This bill could permit the payment of unemployment insurance benefits to such locked-out employees. To pay them would tip the collective bargaining scales in favor of the union.

Individuals who fail to cross the picket lines are another group of employees who could not be classified as strikers because their wages or conditions of work are not in dispute. These individuals who fail to cross picket lines should be denied benefits. They are using their failure or refusal as an economic weapon against their employer to help their fellow employees on strike. Their voluntary act, not related to their wages or conditions of work, makes them just as much a part of the labor controversy as those who are striking. The same can be said for those who are directly interested or financing the strike.

B. REVENUE TO REPAY ADVANCES FOR EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS

Extended unemployment compensation benefits under prior and present legislation are paid one-half by the states (charged in New York to employer's experience rating account) and one-half by the federal government out of the extended unemployment compensation account. The latter account receives its revenue out of federal unemployment taxes. This federal account is now in the red and if no action is taken by Congress, its deficits will increase. This has resulted in payments out of general revenues.

The Chamber is opposed to the payment of extended benefits out of general revenues and thereby approves the extension of the gross federal unemployment tax of 3.28% on taxable payrolls for a period necessary to pay the federal share for past deficits and for the present extended benefits program.

C. COVERAGE OF AGRICULTURAL EMPLOYMENT

H.R. 8600 would apply the federal unemployment tax to farm employers who, during the current or proceeding calendar year, (a) employed 4 or more workers in each of 20 weeks or (b) paid $5,000 in wages in a calendar quarter to individuals employed in agricultural labor.

We support this extension of coverage because federal and state studies have shown that coverage of agricultural employees for unemployment insurance benefits on the basis proposed is reasonable and feasible.

D. EXTENDED BENEFITS PROGRAM

Title II of H.R. 8600 and other bills would provide an extended unemployment benefits program during recession periods. These measures differ as to the trigger mechanism and duration.

Under its policy, the Chamber asserts the time has come for thhe enactment by the federal government of a permanent extended benefits program during recession periods whereby state unemployment compensation benefits would be extended for 13 weeks with the states paying one-half and the federal government paying one-half. Such benefits would be paid, at the option of the states, for any 13-week period when:

1. the rate of insured unemployment for any consecutive 13-week period is between 4% and 6% and the average of such rates is 20% higher for the corresponding 13-week period ending in the preceding year or,
2. the rate of insured unemployment for any consecutive 13-week period is 6% or more.

The rate of insured unemployment in New York is affected by seasonal unemployment (primarily apparel, construction and canning industries) and weather conditions during the first and last quarter of each year. These, rather than economic conditions, could trigger extended benefits.

The New York Department of Labor calculates each week in the year the rate of insured unemployment for that week. These rates are up-to-date. In addition, for the same weeks it calculates the seasonally adjusted insured unemployment rate. Presently such rates are available up to the twenty-sixth week of 1972.

On the week ending February 2, 1974, extended benefits in New York were triggered because the insured unemployment rate was 4.13% for this and the proceeding 12 weeks. (At that time the 20% trigger was no longer part of the trigger mechanism. If it had been part of the law, benefits would not have been extended in New York.) Although no figures are available for the seasonally adjusted insured unemployment rate for this 13-week period, the effect of seasonal unemployment on the insured unemployment rate can be shown by the fact that the rate of uninsured unemployment for the third week in 1970 was 4.2% and for the same week the seasonally adjusted insured unemployment rate was 3.08%.

Extended benefits were triggered in New York on the thirteenth week ending December 26, 1970 because the rate of insured unemployment was over 4% and the 20% trigger was met. Benefits were triggered off on July 2, 1972. During this period the insured unemployment rate for the first week of 1972 was 6.01% and the seasonally adjusted insured unemployment rate for the same week was 4.14%.

When agricultural labor, including migrant workers, is covered, the rate of insured unemployment in New York could increase and this might alone trigger extended unemployment compensation insurance. Seasonal and weather conditions are with us during times of good, average and bad unemployment. This should be taken into consideration in triggering extended unemployment compensation benefits. One way to do this is to again require two triggers, as proposed here, when the rate of insured unemployment is between 4% and 6% and one trigger when such rate is 6% or more.

Mrs. GRIFFITHS. The committee is adjourned until 10 a.m. tomorrow in this room.

[Whereupon, at 2:45 p.m., the committee was adjourned to reconvene at 10 a.m., Tuesday, April 23, 1974.]

UNEMPLOYMENT COMPENSATION

TUESDAY, APRIL 23, 1974

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee hearing room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman) presiding.

The Chairman. The committee will please come to order.

Our first witness this morning represents the Interstate Conference of Employment Security Agencies. We appreciate very much having you with us.

STATEMENT OF HENRY ROTHELL, PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, AND CURTIS HARDING; ACCOMPANIED BY WILLIAM L. HEARTWELL, JR., CHAIRMAN, LEGISLATIVE COMMITTEE

Mr. Rothell. Thank you.

The Chairman. We are glad to have you here. You have been with us before, Mr. Rothell. We appreciate your coming back and appreciate having Mr. Heartwell and Mr. Harding with you. You are recognized.

Mr. Rothell. Mr. Chairman, I have a prepared statement which is relatively short. I will just read it and make a few comments as I go through the statement.

Mr. Chairman and members of the committee, my name is Henry Rothell. I am the administrator of the Texas Employment Commission and president of the Interstate Conference of Employment Security Agencies, Inc. I am testifying on behalf of the Interstate Conference which is composed of the employment security agencies of the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

I believe this committee is aware that the bylaws of our organization require a vote of all the States with a majority in agreement before a conference position on legislation can be established.

By conference vote, we have established a conference position on four of the six provisions in title I of H.R. 8600. We have not had time to poll the States on title II of H.R. 8600 and, therefore, have no conference position on that provision.

H.R. 13214 by Congressman Burke was not introduced until March 5, 1974, and the conference has not had sufficient time to establish a conference position on it. Many of the administrators are greatly concerned with title II of Congressman Burke's bill and will point out some of our concern.

With respect to section 101, title I, of H.R. 8600, the conference—I would like to correct the figures there. The vote is by 28⅔ State votes, representing 48.9 percent of the total covered employers and 47.3 percent of the totaled covered workers.

The conference is opposed to the provisions which would establish a Federal maximum weekly standard of 66⅔ percent of the average weekly wage in covered employment in each State. I wish to point out that the conference has always urged the member States to examine their benefit provisions regularly and urge their respective legislative bodies to update their benefit provisions from year to year.

In fact, the States have constantly increased their benefit amount, and the record will show that since the President's message to Congress in 1969, very substantial increases in weekly benefit maximums have been made by the States.

Attached to my statement is exhibit A, a list of the States showing the increases in maximum weekly benefit amounts since July 1969. That shows the changes up to January 1974.

Since that time, there have been about 10 additional changes by the States. You will note that all the States have made substantial increases in their weekly benefit amounts since the date of the Presidents' statement. States paying 60 percent of the average weekly wage have increased from 3 to 12. States paying 50 percent to 59 percent of the average weekly wage have increased from 18 to 25. States paying less than 50 percent of the average weekly wage is reduced from 31 to 15. States paying the amount recommended by the President have increased from one to five. Actually, there are two more since this date that have gone to 66⅔, West Virginia and North Carolina.

I would also like to point out that it is not desirable and not financially advisable to greatly increase benefit levels too rapidly—to do so can seriously endanger the benefit trust funds in the individual States. At the time the President made his request to the States to increase the weekly benefit amount, some of them had extremely low maximum weekly benefit amounts. It would have been extremely expensive for the States to move from the weekly benefit amount they had been paying to the 66⅔-percent amount recommended by the President. This is one of the basic reasons the State agencies oppose the establishment of Federal benefit standards—the benefit provisions and the taxing provisions in each State law are so interrelated that they should be considered jointly—any time the benefit levels are increased, a State must make certain that the taxing provisions are adjusted to protect the solvency of the benefit trust fund. Otherwise, the State must borrow a sufficient amount to provide benefits due, and this can result in greatly increased costs to the taxpayer.

As a matter of fact, at this time two States have totally depleted their benefit trust funds and are borrowing from the loan fund to pay benefits to their claimants. We strongly feel that the benefit levels in the State should be established by the State legislative bodies, who are also responsible for the funding of such programs.

With respect to section 102, title I, of H.R. 8600, the conference by a vote of 27 States, representing 45.7 percent of covered employers and 44.5 percent of covered workers, is in favor of the provisions which would deny the payment of unemployment benefits to strikers, but require payment to innocent bystanders.

The conference reasoning here is based on the premise that a striker is not entitled to benefits while he elects to remain idle when work is available. Further, the State agencies should be neutral in a labor dispute, neither referring workers to the struck employer nor paying benefits to those claimants directly involved in the labor dispute. Actually, 48 of the 50 States deny benefits to strikers now. Only two States now pay benefits to strikers.

With respect to section 103, title I, of H.R. 8600, the conference could not establish a position on the coverage of farmworkers as provided in the act. However, the conference position would be in favor of this coverage by a vote of 34 States representing 73.3 percent of covered employers and 72.3 percent of covered workers if section 104 of title I was amended to change the status of crew leaders and labor contractors and provide that they would be employers when acting in fact as independent contractors.

As the statute now reads, it would present a very real problem to small farm operators who contract with crew leaders and labor contractors for complete planting, cultivating, and harvesting, and never know the number or the names of workers who will be employed by the crew leaders.

Section 105 of title I, H.R. 8600, extends the additional tax of 0.08 percent for an additional 2 years. The conference did not establish a position on this section because it believes that the advisability of this tax extension should be left to the best judgment of this committee.

With respect to section 106, title I, H.R. 8600, the conference by a vote of 35 States representing 72 percent of covered employers and 71.2 percent of covered workers favors the provisions which would change the Federal reimbursement to States on UCFE and UCX claims to a "pro rata" method of computation of costs rather than the present "additional cost" method. This is really an administrative recordkeeping change and would assist States in prorating the costs to reimbursing employers.

The conference has not had sufficient time to take a vote on the provisions of title II of H.R. 8600 relating to the payment of additional unemployment benefits on an area-by-area basis when the rate of unemployment is excessive. However, we have some real concern with the proposal since many States with rather high pockets of unemployment would not be able to qualify for additional benefits. The 250,000-population limitation is so high that many substantial pockets of unemployment would be excluded. Another very real problem is that of administration of the area by area concept.

Congressman Burke's bill, H.R. 13214, title II, would substantially increase the duration of extended benefits and lower the Federal and State triggers. Each of these changes would greatly increase the cost of the program—for the Federal Government and the State agencies. If any such changes are adopted, it will be necessary to provide for additional taxes. The amount needed as well as the method of funding should be given careful study.

The conference has been studying the trigger mechanism in the program for some time, but as of this date has not been able to agree on what changes should be made. If the State trigger is too low about 20 States will trigger in almost yearly during seasonal unemployment

while the remaining States will not be able to participate except in recession or depression periods.

Currently a special committee of the conference is making an intensive effort to come up with a trigger mechanism which will be fair and equitable to all the States. It is the opinion of many of the administrators that this matter should be thoroughly examined before making permanent changes in the present program.

Mr. Chairman, this concludes my statement. We will be glad to try to answer any questions you may have. We appreciate this opportunity to be heard.

Mr. ULLMAN [presiding]. Thank you very much, Mr. Rothell. Without objection, the supplemental material will be included in the record.

[The information referred to follows:]

EXHIBIT A

MAXIMUM WEEKLY BENEFIT AMOUNTS

State	July 6, 1969	Jan. 6, 1974	State	July 6, 1969	Jan. 6, 1974
Alabama	$44	$68	Montana	$42	$65
Alaska	60–85	90–120	Nebraska	48	68
Arizona	50	60	Nevada	47–67	80
Arkansas	47	79	New Hampshire	54	80
California	65	90	New Jersey	65	85
Colorado	71	93	New Mexico	53	67
Connecticut	76–114	98–147	New York	65	75
Delaware	55	85	North Carolina	50	64
District of Columbia	63	117	North Dakota	51	68
Florida	40	64	Ohio	47–66	77–114
Georgia	47	65	Oklahoma	38	60
Hawaii	72	98	Oregon	55	76
Idaho	56	78	Pennsylvania	60	96–104
Illinois	42–70	60–105	Puerto Rico	36	50
Indiana	40–52	50–75	Rhode Island	56–76	82–102
Iowa	58	75	South Carolina	50	83
Kansas	55	73	South Dakota	41	59
Kentucky	52	70	Tennessee	47	62
Louisiana	50	70	Texas	45	63
Maine	52	65	Utah	54	87
Maryland	60	78	Vermont	56	77
Massachusetts	57	90–135	Virginia	48	70
Michigan	46–76	56–92	Washington	42	81
Minnesota	57	85	West Virginia	49	84
Mississippi	40	49	Wisconsin	66	92
Missouri	53	67	Wyoming	53	67

Mr. ULLMAN. Are there any questions?

Mr. Schneebeli.

Mr. SCHNEEBELI. Thank you.

Mr. Rothell, I remember the contributions which you and Mr. Harding made with respect to legislation several years ago. Aren't you from one of the Rocky Mountain States?

Mr. HARDING. Utah.

Mr. SCHNEEBELI. You mentioned that you have covered only partially the reaction of State administrators to this legislation. Would it be possible for you to complete your work and then submit a further statement to the committee?

Mr. ROTHELL. You mean with respect to the other provisions in the bill?

Mr. SCHNEEBELI. Yes, and you indicated that you have not covered all State reaction. As a matter of fact, I don't know how you arrived at a 28⅔-vote of the States.

Mr. ROTHELL. Some of the States have a three man commission. Two-thirds of them vote one way and one votes the other. That is where the two-thirds comes in. Actually 28 States have voted for it and two-thirds of one other voted for it.

On the points we have had a chance to poll, all the States have been given an opportunity to vote. Some of them abstain and some do not vote. Why they abstain or do not vote we are unable to give you that information.

Mr. SCHNEEBELI. If you get further reactions from the States, we would like to have them inasmuch as there is an indication here that you are still in the process of getting this information.

Mr. ROTHELL. Thank you. We will make it available to the committee as soon as we get it.

[The following was subsequently received:]

TABULATION OF REPLIES TO LETTER OF DEC. 12, 1973 TO STATE AGENCIES ON POLL ON H.R. 8600

Questions	Number of State agencies	Percent of total covered employers [1]	Percent of total covered workers [2]
1. Part A: Do you favor extending U.I. coverage to farmworkers as provided in sec. 4 and 5 of H.R. 8600?			
Yes	25	49.2	47.9
No	15	33.2	33.4
Abstain	11	15.9	16.7
Not voting	1	1.7	2.0
Total	[3] 52	100.0	100.0
Part B: If "No," would you favor extending U.I. coverage to farmworkers as provided in H.R. 8600 if the provisions pertaining to crew leaders or labor contractors were changed to provide that such crew leader or labor contractor was an employer in his own right (if he qualified under the 4 or more—or $5,000 provisions) and was fully responsible for the reporting of wages and payment of taxes pertaining to his employees?			
Yes	9	24.3	24.4
No	6	8.9	9.0
Abstain			
Not voting			
Total	15		
2. Do you favor provisions of sec. 3(a)(14) of H.R. 8600 which state: "Compensation shall not be paid to any person who the State finds is a striker under the law of that State. Compensation shall not be denied to any other person otherwise eligible who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State":			
Yes	27	45.7	44.5
No	17	29.0	28.7
Abstain	7	23.6	24.8
Not voting	1	1.7	2.0
Total	[3] 52	100.0	100.0
3. Do you favor provisions of sec. 7(a) of H.R. 8600 which specify: "Each State entitled to be paid by the United States with respect to each individual whose base period wages included Federal wages an amount which shall bear the same ratio to the total amount of benefits paid to such individual as the amount of his Federal wages in his base period bears to the total amount of his base period wages, computed to the nearest percentage point."			
Yes	35	72.0	71.2
No	9	16.8	16.8
Abstain	6	8.8	9.3
Not voting	2	2.4	2.7
Total	[3] 52	100.0	100.0

[1] ES-208.
[2] ES-202—U.S. Department of Labor Reports.
[3] Virgin Islands not included.

Note: The addition to the "Yes" vote on part "A" of the "Yes" vote on part "B" totals 34 agencies representing 73.5 percent of covered employers and 72.3 percent of covered workers.

STATE-BY-STATE DISTRIBUTION OF EMPLOYERS AND COVERED EMPLOYMENT

Total	Percent distribution of total U.S. subject employers, calendar 1972	Percent distribution of total U.S. covered employment, calendar 1972	Total	Percent distribution of total U.S. subject employers, calendar 1972	Percent distribution of total U.S. covered employment, calendar 1972
Alabama	1.4	1.4	Montana	.5	.3
Alaska	.2	.1	Nebraska	.8	.6
Arizona	1.0	.8	Nevada	.3	.3
Arkansas	1.0	.8	New Hampshire	.4	.4
California	10.3	9.7	New Jersey	3.8	3.6
Colorado	1.3	1.1	New Mexico	.6	.4
Connecticut	1.7	1.9	New York	10.5	9.7
Delaware	.3	.3	North Carolina	2.4	2.7
District of Columbia	.5	.6	North Dakota	.3	.2
Florida	3.8	3.4	Ohio	4.9	5.5
Georgia	2.0	2.2	Oklahoma	1.2	1.1
Hawaii	.4	.5	Oregon	1.2	1.0
Idaho	.4	.3	Pennsylvania	5.3	6.1
Illinois	4.7	6.0	Puerto Rico	1.1	.8
Indiana	2.0	2.6	Rhode Island	.6	.5
Iowa	1.5	1.2	South Carolina	1.1	1.2
Kansas	1.2	.9	South Dakota	.4	.2
Kentucky	1.4	1.2	Tennessee	1.7	2.0
Louisiana	1.5	1.5	Texas	5.0	5.2
Maine	.5	.4	Utah	.6	.5
Maryland	1.6	1.8	Vermont	.3	.2
Massachusetts	3.0	3.2	Virginia	1.7	2.1
Michigan	3.7	4.2	Washington	1.9	1.4
Minnesota	1.8	1.8	West Virginia	.7	.7
Mississippi	.9	.8	Wisconsin	2.1	2.2
Missouri	2.2	2.3	Wyoming	.3	.1

Source: U.S. Department of Labor Reports.

STATE-BY-STATE RESPONSES TO POLL ON H.R. 8600

United States	Question 1, pt. 1	Question 1, pt. 2	Question 2	Question 3
Alabama	Abstain		No	Yes.
Alaska	Yes		Yes	Yes.
Arizona	Yes		Yes	Yes.
Arkansas	Abstain		Abstain	Abstain.
California	No	Yes	Yes	Yes.
Colorado	No	No	No	Yes.
Connecticut	Yes		Yes	Yes.
Delaware	Abstain	Abstain	Abstain	Abstain.
District of Columbia	do		Yes	No.
Florida	Yes		No	No.
Georgia	No	No	Yes	Yes.
Guam				
Hawaii	Yes		No	Yes.
Idaho	Abstain	No	No	Yes.
Illinois	do	Abstain	Abstain	Yes.
Indiana	Yes		do	Abstain.
Iowa	Yes		Yes	Yes.
Kansas	Yes		Yes	Yes.
Kentucky	Abstain		Abstain	Yes.
Louisiana	Yes		Yes	Yes.
Maine	Yes		Yes	Yes.
Maryland	Yes		No	Yes.
Massachusetts	Yes		Yes	Yes.
Michigan	Abstain		Abstain	Abstain.
Minnesota	Yes		Yes	Yes.
Mississippi	No	No	No	No.
Missouri	Yes		Yes	Yes.
Montana	Yes		Yes	Yes.

STATE-BY-STATE RESPONSES TO POLL ON H.R. 8600—Continued

United States	Question 1, pt. 1	Question 1, pt. 2	Question 2	Question 3
Nebraska	Abstain	Abstain	No	Yes.
Nevada	Yes		Yes	Yes.
New Hampshire	No	Yes	Yes	Yes.
New Jersey	Yes		Yes	Yes.
New Mexico	Yes		Yes	Abstain.
New York	Yes		Abstain	Yes.
North Carolina	No	No	No	No.
North Dakota	Yes		Yes	Yes.
Ohio	No	Yes	No	Yes.
Oklahoma	Yes		No	Yes.
Oregon	No	No	Yes	Abstain.
Pennsylvania	Yes		Yes	Yes.
Puerto Rico	Abstain		Yes	Yes.
Rhode Island	do	Abstain	No	Yes.
South Carolina	No	No	No	No.
South Dakota	No	Yes	Yes	No.
Tennessee [1]				
Texas	No	Yes	No	No.
Utah	No	Yes	No	No.
Vermont	Yes		Yes	Yes.
Virginia	No	Yes	Yes	Yes.
Virgin Islands [2]				
Washington	Yes		No	Yes.
West Virginia	No	Yes	No	
Wisconsin	Yes	No	Yes	No.
Wyoming	No	Yes	Yes	Yes.

[1] Does not want to vote on these questions.
[2] Did not vote because agency is not yet included in U.I. poll.

II. AS TO ESTABLISHING A FEDERAL STANDARD RELATING TO THE MAXIMUM WEEKLY BENEFIT AMOUNT (WBA)

Question	Number of State agencies	Percent of total covered employers [1]	Percent of total covered workers [2]
A. Should the Internal Revenue Code be amended to establish a benefit standard with which each State would be required to comply?			
Yes	16	34.6	34.1
No	28⅔	47.9	47.3
Abstain	2⅓	5.7	7.1
Not voting	5	11.8	11.5
Total	[3] 52	100.0	100.0
B. If such standards are adopted, should it require that the weekly benefit amount (exclusive of dependent's allowances) for a week of total unemployment be not less than 50 percent of the individual's average weekly wage up to a maximum of at least: (Note: Even if you oppose standards and vote "No" on question A, please answer 1 of the following.)			
1. 66⅔ percent of the statewide average weekly wage, beginning in 1976?	13⅓	33.5	33.0
2. 60 percent of the statewide average weekly wage, beginning in 1976?	7	9.2	9.6
3. 55 percent of the statewide average weekly wage, beginning in 1976?	3	1.3	1.2
4. 50 percent of the statewide average weekly wage, beginning in 1976?	14⅓	28.4	27.4
5. 50 percent of the statewide average weekly wage, beginning in in 1976 and increased by increments of 5 percent per year, to 65 percent?	6	3.5	2.9
Abstain	⅓	.5	.4
Not voting	8	23.6	25.5
Total	[3] 52	100.0	100.0

[1] ES-208.
[2] ES-202—U.S. Department of Labor Reports.
[3] Virgin Islands not included.

STATE-BY-STATE RESPONSE TO QUESTIONS ON WBA

States	Question A			Question B—Preference No.	Not voting
	Yes	No	Abstain		
Alabama		×		4	
Alaska		×		4	
Arizona		×		4	
Arkansas	×			1	
California		×		4	
Colorado					×
Connecticut		×		2	
Delaware	×			5	
District of Columbia		×		3	
Florida					×
Georgia	×			4	
Hawaii	×			1	
Idaho	×			5	
Illinois			×		
Indiana		×		4	
Iowa		⅔	⅓	(1)	
Kansas		×		5	
Kentucky		×		4	
Louisiana	×			1	
Maine	×			1	
Maryland		×		2	
Massachusetts		×		2	
Michigan					×
Minnesota	×			1	
Mississippi		×		4	
Missouri	×			4	
Montana		×		4	
Nebraska		×		4	
Nevada		×		4	
New Hampshire		×		2	
New Jersey		×		4	
New Mexico	×			3	
New York	×			1	
North Carolina		×			
North Dakota		×		5	
Ohio	×			1	
Oklahoma					×
Oregon		×		4	
Pennsylvania	×			1	
Puerto Rico		×		1	
Rhode Island	×			1	
South Carolina		×		1	
South Dakota		×		2	
Tennessee					×
Texas		×			
Utah		×		5	
Vermont		×		3	
Virginia		×		2	
Washington	×			1	
West Virginia			×	5	
Wisconsin		×		1	

[1] ⅓ for preference No. 1; ⅓ for preference No. 4; ⅓ abstaining.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. With relation to your statement on page 5 in connection with my bill, it says it would increase the duration of extended benefits and lower the Federal and State triggers. Each of these changes would greatly increase the cost of the program.

Now that is true. But isn't it also true that in these areas where they have high pockets of unemployment that there is an increase in welfare costs which is paid for by the taxpayers? Don't we have to raise taxes for those people who go off unemployment and go onto the welfare rolls? So actually it is a question of whether you want them on unemployment compensation or whether you want them on welfare.

A lot of these are cases in which the State and Federal Governments have to provide the funds eventually, so you are almost robbing Peter

to pay Paul. I have always felt that a person drawing unemployment compensation is more likely to go back to work than a person who goes on welfare. The records seem to indicate that. At least the employment offices check on these people, or they are supposed to check on them, to find out if they are applying for jobs.

There is a tendency to be looking for work, whereas once they get on welfare sometimes it becomes a way of life for them and they stay on welfare for the rest of their lives.

Mr. ROTHELL. With respect to the extended benefit program in the State of Washington, the administrator from that State tells me after they completed the extended benefit program that one-third of those individuals who had drawn their full regular benefits and extended benefits then withdrew from the labor force. That seems to me a heavy burden on the unemployment insurance funds if they really were not in the labor market during the extended period and when that period ended they were no longer in the labor force.

Mr. BURKE. I don't think the employment situation in the State of Washington improved to the extent that they could get back into the labor market.

Mr. ROTHELL. I am only giving you the information the administrator from that State furnished to me.

Mr. BURKE. I can see where there would be a difference of opinion on the part of different States. National policies that create unemployment pockets through the entire Nation and some States are hit heavier than others.

When the National Government creates a policy that causes high unemployment for long durations I think it is a responsibility of the Federal Government to step in and give some assistance.

Mr. ROTHELL. I don't disagree with that, sir, but I am not sure that the unemployment insurance program should protect people forever. I think it was intended when it started that we pay for a temporary period, whether that should be 26 weeks as all States require, 39 weeks as under the extended program or as long as they are unemployed, I think that is a new element in the program. I don't believe the employment insurance program intended to pay people unemployment benefits as long as they are unemployed.

Mr. BURKE. Just talking from my region of the country, the Federal Government closed down all the installations up there and laid off over 36,000 people within a period of about 90 days.

In addition to that, we lost thousands of other jobs in the textile and shoe industries and other industries as a result of imports.

Then the energy crisis hit, all within a period of about 18 months. It would be an impossibility for all those people to get jobs—there are over 50,000 people involved in a small area. There just aren't that many jobs around.

At the end of 26 weeks the economy has not picked up enough for them to get jobs. I think the Federal Government has a moral responsibility for these problems it creates, to extend the benefits in those areas where there are high unemployment pockets. Otherwise, you are just going to sink those areas economically.

Once you do that, it reaches out beyond that. As you know back during the depression days, the depression first started in the farm

areas. Then it reached around the country and right into the urban areas. So it is like a prairie fire. It goes all over.

We have to take steps to protect the economy of the country, particularly in those areas where the Federal Government has caused high unemployment. There is high unemployment because of the trade policies of the country, because of the closing down of defense installations, because of the energy crisis that individual States have no control over. So some States benefit because they are not hit as hard as others, but other States are hit harder.

I think we have to take the attitude that we should use the extended benefits program we have to help out in all these situations, rather than adopting piecemeal legislation. Today it might be an industrial State. Tomorrow it might be a farm State. Wherever it is, I think the Federal Government has to step in and provide for extended benefits.

Mr. ROTHELL. I don't disagree that the Federal Government should help, but I am not sure that I would agree that the unemployment insurance program would be the avenue that the Federal Government would use to continue to give help for an indefinite, extended period of time.

Mr. BURKE. Thirteen weeks is not an indefinite period. That is all they are asking for in this bill, from 26 weeks up to 39 weeks. That doesn't seem to be an unreasonable request. When these areas are hit as hard as they are hit in some sections of the country, where they have as much as 15 to 20 percent unemployment and other areas have 2 percent unemployment, I should think we would have enough patriotic spirit to help each other out.

Right now my area is being hit very hard, the energy crisis, importations, and closing installations have hit them very hard all at once. Anybody who can say 26 weeks is long enough to get those people out from under their problems. I don't think it is being very realistic.

Mr. ROTHELL. Don't you have the 250,000 population limit in your bill?

Mr. BURKE. Yes.

Mr. ROTHELL. I have three areas in my State that would not qualify under that. One has about 20 percent unemployment, but they could not qualify under your bill.

Mr. BURKE. I am not inflexible in that regard.

Mr. ROTHELL. If you are talking about taking care of all those pockets, you are going to raise this cost tremendously. I think the committee should be aware of this.

Mr. BURKE. We will have to just bite the bullet and do it. You can't just ignore these conditions that exist that could create a nationwide depression. We are fighting a recession and the high cost of living at the same time. People are forced to pay higher prices for food, fuel, and oil and everything else. We just can't sit back and say we are not concerned about the plight of these people. We have to concern ourselves about it.

Mr. ROTHELL. I would agree, Congressman. I would think particularly with respect to the energy crisis that the Congress, and the Government, could develop jobs by making funds available to convert from the present fuels that we have over to some other fuel. We could

cause a lot of expansion in business if they moved from one type of energy source of another.

To me it makes a lot more sense to spend 1, 2, 3, or $4 billion in developing new jobs where the unemployed people could be put to work rather than leave them on unemployment benefits.

Mr. BURKE. I think you are right there, but it will take a little time to do that. For instance, up in our area, the utility companies are trying to convert back to coal but we cannot get the coal shipped up there. The rail lines have been abandoned. They have not got the coal cars. There are a lot of problems to face before we get the coal up there.

Then we have this environment group who are fighting strongly every change. So there are a lot of problems that hold back progress and hold back the employment of these people and an additional 13 weeks isn't going to solve the bigger problem, but it will help relieve it a little bit.

The CHAIRMAN. Mr. Broyhill.

Mr. BROYHILL. Mr. Chairman, I see that Mr. William Heartwell, who is chairman of the legislative committee, is also chairman of our Virginia agency. I understand one of the principal industries in Virginia is the tourist industry. We also have a textile industry in the Commonwealth of Virginia which is affected by imports just as the industry represented by the gentleman from Massachusetts is affected.

What is the employment situation in Virginia now recognizing that the energy crisis has had some effect on the tourist industry? Not long ago I had a visit from representatives of that industry expressing concern about this.

Mr. HEARTWELL. Congressman, we have been very fortunate due to the diversity of our economy. As far as the energy impact on jobs, it has been minimal. Out of a labor force of 2 million we have had about 2,300 layoffs. Our insured unemployment rate is down to about 1.2 and our regular unemployment rate is about 2.8.

This certainly doesn't mean that we are not sensitive to and sympathetic with other States that are having mass layoffs. In Virginia we have been extremely fortunate and as a result of the energy crisis, so to speak, the impact has not been felt broadly.

We have one automotive manufacturer who has laid off 500 workers and some layoffs of airline stewardesses up in northern Virginia. A few of the textile manufacturers have had layoffs but they have called their workers back. We think the impact has peaked. The highest number of workers that have become unemployed due to the energy crisis in Virginia has been about 3,500. It is now down to 2,300. We feel it will continue decreasing.

We also feel in our studies with the States that the national impact has peaked and that there should be a decrease in this and a leveling off. I might add, sir, that I feel very strongly that with the proliferation of legislation that has come into the Congress concerning the energy crisis that the present system as structured, whether a person loses his job through foreign imports, environmental impact, energy crisis, natural disaster, that the present system is structured to take care of this unemployment.

We admit and we are currently studying, under Mr. Harding's committee, ways of improving the extended benefit formula, the

trigger to take care of highly industrialized States who do have the mass layoffs as indicated by Congressman Burke. But we do not feel we need add-ons and temporary legislation. We think we can make improvements to the present legislation in a system that has served the States and Federal Government so well for so many years.

Mr. BROYHILL. The Commonwealth of Virginia has liberalized its legislation. Why can't other States do the same thing to bring standards up as high as they want without having Federal standardization?

Mr. BURKE. Will you yield?

Mr. BROYHILL. I will be glad to.

Mr. BURKE. I might point out that Norfolk, Va., has just picked up 40,000 jobs formerly held in Massachusetts and Rhode Island. Those 40,000 people up there are unemployed as a result of closing those installations. There are 40,000 jobs down in Virginia. God bless them for getting it, but I am trying to point out what the unemployment problem is and some of the reason why some of these other States can't step in and be so benevolent to their people as you would like because the unemployment caused by the Federal Government's policy has been so staggering that it is an awesome problem to solve.

When they take away 40,000 jobs from my area and bring them down to your area, Mr. Broyhill, I can see why your State is not having the problems in unemployment that some other States are having.

Mr. BROYHILL. I might say to the gentleman from Massachusetts that the people from some of these States could visit the Commonwealth of Virginia and study our ingenuity and how we do these things rather than going to the Federal Government.

Mr. HEARTWELL. I think as Mr. Rothell testified that all the States are making tremendous progress in this area. In Virginia we have moved our weekly benefit level maximum from $42 to $87. That is now 60 percent of our average weekly wage. We anticipate no problem of meeting the proposed Federal standard of 66⅔ percent in our next session.

My point here is that other States are doing likewise and States can reach this standard on their own without the imposition of a mandated Federal standard.

As Mr. Rothell also stated, this does take time. Some States have moved faster than other States, but if you will look at the record, the progress being made in moving up to this level, I think, has been tremendous. I think in a few more years most of the States will be there.

Mr. BROYHILL. If Federal standards were set as a result of this proposed legislation, would it be more costly to our employers in Virginia?

Mr. HEARTWELL. Yes, sir, it would be, because we would have to revise our whole tax structure to see that the additional taxes came in to cover these costs. The way we have it now of phasing in year in and year out, we do have it under control. I think also, Congressman Broyhill, on the benefits standards, this could lead eventually to eligibility standards, qualification standards, and we would have a completely federalized system.

I think the States need to maintain control and work with the Federal partner on overcoming inequities in the system as a joint State-Federal responsibility. We are very much opposed to the imposition of Federal standards in Virginia.

The CHAIRMAN. Mr. Burleson will inquire.

Mr. BURLESON. Thank you, Mr. Chairman.

Mr. Rothell, I personally appreciate your appearance here this morning. Over the years and the numerous times you have appeared before this committee and testified in this area, it is my impression that this committee highly respects your opinions and your expertise in unemployment insurance.

You have testified that your Conference of Employment Security Agencies, of which you are president, has not had time to come to a conclusion on title II of the act. Would you give us your personal opinion as to the desirability of enacting a program of this type? I think you have indicated it, but for the record I would like to have your personal opinion if you would give it to us.

Mr. ROTHELL. I will be glad to, Congressman Burleson.

Personally, I agree that the regular programs that we have, if they are properly funded, can take care of the unemployment that we have in these prockets provided we get sufficient funds to put these people back to work. Our budget for fiscal 1975 is extremely lean. We do not have as much funds for fiscal 1975 as we have used this year.

In a time of recession or in a time when you have greater unemployment, more people filing claims and more people to be placed in jobs, that is not the time to reduce the Federal budget and reduce our services to the people that come to our offices. And without sufficient funds, we are going to be unable to do for them what we could do if we had sufficient funds to do it.

This title II, to me, is another add-on program, and it will cause tremendous administrative problems if we go to pockets of areas of unemployment. We can do it, but it will be a tremendous problem; and if we do it, it will take additional funds to do it.

I am quite concerned with trying to provide additional money for pockets of unemployment. I think the Government should be concerned and try to have total mobilization to develop new jobs for these people who are unemployed. I think you could make low-interest loans to employers where they could convert their present fuel over to coal or solar energy or whatever.

If we have an energy crisis, we need to have total mobilization to do something to take care of it in years to come. As I understand it, it is pretty well accepted that we have one. This country cannot wait 5 or 10 years and put a little salve on a sore wound. We have to work now to solve the problem, and this would make many more new jobs and make places for people who are now unemployed.

To me, this is the way to go rather than month after month to give benefits to the unemployed. The individual would much rather have a job than unemployment benefits or welfare or anything else. I would rather give him a job than put him on welfare.

I think this Government would make a very forward step if they would make some kind of low-interest loans available to employers to convert from oil to coal, or additional powerplants that could be fueled with something other than oil and gas.

Mr. BURLESON. Do you think a direct loan would be preferable to tax incentive treatment?

Mr. ROTHELL. I am not sure which would be the best, but we need to do something now.

Mr. BURLESON. Would you comment more fully on the triggering device that is in this proposal?

Mr. ROTHELL. Yes. We have done a lot of studying on this to try to determine what device we should have. We are now waiving the 120-percent factor in the State trigger. What it does is those States which have high seasonal unemployment are going to trigger in each year at 4 percent. We need to have an alternative trigger, and we have talked about one of some percentage and not consider the 120 percent. We think the trigger formulas we have would work fine except for the Vietnam war, the shutdown of the space effort, and the energy crisis all at once as extended unemployment for an undue or greatly extended period that we had not anticipated before.

We need to change this trigger formula, and I think we will come up with something, but we do not have it yet.

Mr. Harding's committee is working on it, and he may have some specific information on the trigger. But just the waiver of the 120 percent is not the answer to the thing. It leaves some 20 States coming in regularly on seasonal unemployment, and the other States will not come in except in recession or depression periods.

Mr. BURLESON. Thank you.

The CHAIRMAN. Mr. Corman will inquire.

Mr. CORMAN. Thank you, Mr. Chairman.

Mr. Rothell, you mentioned some polls taken by the Interstate Conference. I understand that those are not confidential. Would you be able to supply the polls and the specific results for the record?

Mr. ROTHELL. Yes, sir, I will.

Mr. CORMAN. Thank you very much. Mr. Burleson was discussing with you the problem of the triggering device. I realize that it is complex, but we have had four temporary extensions now. You mentioned that one of the witnesses might have some specifics for us as to the kinds of triggering devices that you are considering. The 120 percent has been a problem in California, statewide, as you know. We are a big State, and we have lots of unemployed people. The trigger device works against us sometimes.

Would you discuss in more specific detail the triggering formulas you are considering? Can you give us some idea when you may reach a conclusion?

Mr. ROTHELL. I would be glad to, but Mr. Harding is the chairman of our Unemployment Insurance Committee for the conference and they have been doing specific work on this trigger device. I will be glad to respond or have Mr. Harding who is closer to it than I am, if you don't object.

Mr. CORMAN. If you have a perfect one, maybe you can tell me during the lunch hour and I can tell everyone it is mine.

Mr. HARDING. This year I chair the Unemployment Insurance Committee of the Interstate Conference. We are, at the present time, working not only in connection with improving the trigger provisions, but other provisions of the unemployment insurance system.

I have with me this morning some recommendations having to do with the trigger for consideration of you gentlemen. I think it might be worthwhile. I didn't know whether you would be asking for them or not, but I have available for each of you some material, you can

follow through with me some of the recommendations I would like to make.

Now, these recommendations I have to make are a little premature as I said because we are studying all of these recommendations at the present time, but in the testimony which I will leave here with you gentlemen, you will find that as far as we are concerned the trigger formula with earlier legislation would have operated fairly well. But not withstanding my testimony to this effect, there are some improvements we believe could be made.

I am going to list all of them before we are in a position to make final recommendations as an official body. Here are some of the recommendations which I as chairman have determined might be helpful in improving the trigger: (1) It is recommended that a permanent improvement in the national trigger formula would result from lowering the specified monthly rate from 4½ percent to 4 percent seasonally adjusted but excluding extended benefit claims. I make this recommendation because I believe based on advice from my staff that the national trigger formula as now constituted excluding EB benefits will fail to operate even though labor force unemployment rates reach 6 percent .

The balance of these recommendations are with respect to the State trigger. It is recommended that the State trigger factor be lowered from 120 percent to 115 percent of the prior 2 years in order to make it more sensitive to postrecession conditions.

How is a recommendation to improve the program at reaching a greater number of the deserving unemployed. Namely, it is recommended that unemployed individuals whose benefit years expired during the 13 weeks prior to a trigger period should be granted eligibility.

It is also recommended that the law be changed to assure extended benefit entitlements, already determined prior to the ending of a triggered period, be payable for at least a 3-month period.

Now this can be confusing. What I am trying to say is that under the present law when an extended benefit payment period triggers off every eligible person is denied any further benefits. We are recommending here a phaseout period so those people who continue to be unemployed and who have already had entitlement given to them would be able to draw, as long as they are unemployed, during a period of time of 90 days the amount of benefits which they were determined to have been entitled to.

This doesn't mean they are going to get 90 days of benefits. For example, if they were entitled to receive 6 weeks of benefits, and have received 2 weeks and the period triggers out, they will still get the remaining 4 weeks.

Now, a further improvement of the State formula is to eliminate the requirement that when a State triggers off it remain off for 13 weeks. The reason for this recommendation is that this actually constitutes an artificial barrier. Experience has demonstrated to us that two States in the last couple of years have triggered off, almost by a fluke, and they have had to stay off for a period of 13 weeks, whereas the conditions of the formula which would allow them extended benefits have been met. In reviewing the record indications are that adopting this provision would not result in an on and off situation. It would

merely mean that whenever conditions in a particular State were such as to allow them to pay extended benefits, they could do so, again the elimination of an artificial barrier.

Even with these changes, it is recognized that a trigger system cannot and will not meet all eventualities. I therefore suggest that Congress consider the establishment of a ceiling, a level of unemployment at which and above which a State at its own option may allow the payment of extended benefits.

I suggest that this ceiling be 6 percent insured unemployment.

Now, with this change, this would mean that the States below 4 percent unemployed insurance rate could not pay extended benefits except when the national trigger is on. States whose 13 week moving average IU was between 4 percent and 6 percent would pay extended benefits only if they met the 20 percent higher than the previous experience requirement. I have recommended that this 20 percent be changed to 15 percent. States having over 6 percent IUR would have the option of paying extended benefits so long as this level of unemployment pertains.

This would be introducing into the trigger formula then a provision which would meet the needs of those States who continued to have high unemployment. As I suggested, this should be 6 percent. They, by their own action on a voluntary basis could continue the payment of extended unemployment benefits.

I also recommended at this time, and this recommendation I am making strictly by myself as Utah administrator, I think it is needed in order to meet the situation which exists, and that is that the expiration date of the optional State trigger formula permitting States to ignore the 120 percent factor be extended until December 31, 1975 instead of letting it expire on June 30, 1974.

Now with these recommendations allowing the State trigger and the national trigger to operate according to the changes that have been suggested, I sincerely believe that we would be able to meet the needs of the unemployed workers throughout the Nation as well as provide the additional dollars in those areas where they are needed to spur the economy.

At the present time, we have 14 States that are paying extended benefits. I would like to emphasize the fact that this option should be maintained with respect to the States that have 6 percent unemployment as to whether they would or would not like to pay additional benefits.

For example, Puerto Rico has unemployment at the present time of 7.3 percent. They have not elected to pay extended benefits. It would probably be more than the local employers could afford to pay those extended benefits.

Other States, without mentioning names, also have high unemployment rates. It is strictly seasonal. They could meet the 6 percent requirement. It is impossible, as I said, for a trigger to meet all eventualities, but if we incorporate this provision into the law, then let those States on a voluntary basis act, we will see action where action is appropriate and needed and we will see a deferral of action or a noninvoking of extended benefits in those areas where the State itself cannot afford it or where the situation is a seasonal situation or some other problem which need not be met by extended benefit payments.

Now, if I may, maybe I had better pause at this moment and see if there is any question any of you gentlemen might have with respect to the recommendations that have been made.

[Mr. Harding submitted the following prepared statement:]

STATEMENT OF CURTIS P. HARDING, ADMINISTRATOR, UTAH DEPARTMENT OF EMPLOYMENT SECURITY

SUMMARY OF COMMENTS AND RECOMMENDATIONS

I would appreciate having included in the records my full testimony wherein I have documented support for the observations and recommendations made.

As requested, I am addressing myself only to a summary.

It is my testimony that the trigger formulas, with earlier legislation would have operated fairly well. It is based not only on the facts presented in the charts and tables, but on questionnaire responses by the State Employment Security Agencies in the Summer of 1972 as to whether or not the actual and hypothetical trigger dates were suitable.

Notwithstanding my testimony as to the triggers operating fairly well there are some improvements that could be made.

It is recommended that a permanent improvement in the national trigger formula would result from lowering the specified monthly rate from 4.5% to 4.0%, (seasonally adjusted), but excluding Extended Benefit claims.

I make this recommendation because I believe based on advise from my staff that the national trigger formula as now constituted (excluding E.B. benefits) will fail to operate even though labor force unemployment rates reach six percent.

It is recommended that the State trigger factor be lowered from 120 percent to 115 percent of the prior two years in order to make it more sensitive to post-recession conditions.

It is recommended that unemployed individuals whose exhaustion or entitlement to benefits expired during the 13 years prior to a triggered period, should be granted eligibility.

It is recommended that the law be changed to assure Extended Benefit entitlements already determined prior to the ending of a triggered period are payable for at least a three-month period.

A further improvement of the trigger formulas is to eliminate the requirement that when a State triggers "off" it be "off" for thirteen weeks.

Even with these changes it is recognized that a trigger system cannot and will not meet all eventualities. I therefore suggest that Congress consider the establishment of a ceiling, a level of unemployment at which and above which a State at its own option may allow payment of extended benefits. I suggest that this ceiling be 6% insured unemployment. This would mean then that States below 4% I.U.R. could not pay extended benefits (except when the national trigger is on). States whose 13 week moving average I.U.R. was between 4% and 6% would pay extended benefits only if they met the 20% higher than previous experience requirement. (I have recommended that this be changed to 15%). States having over 6% I.U.R. would have the option of paying extended benefits so long as this level of unemployment pertained.

It is recommended that the expiration date of the optional State trigger formula permitting States to ignore the 120 percent factor be extended until December 31, 1975, instead of letting it expire on June 30, 1974 This recommendation is made strictly in my capacity as Utah State Administrator.

I also suggest that Congress should not at this time approve the Administration's proposal for special temporary assistance in labor areas with high unemployment rates, because the language of these proposals raises serious questions about the equity of its payroll tax financing, and the feasibility of area trigger operations.

There are significant numbers of unemployed individuals in such areas who are not eligible for Unemployment Insurance because of the insurance character of the U.I. Program. For such ineligible individuals, training, relocation or public service jobs would be better than public assistance, but an income maintenance program for them, funded with an employer payroll tax, and closely identified with Unemployment Insurance should not be accepted by this Congress without conclusive research findings as to its equity and feasibility.

STATEMENT

My name is Curtis P. Harding, Administrator of the Utah Department of Employment Security where I have been an employee since 1937, and its Administrator Since 1949.

In August 1965, I testified before the House Ways and Means Committee as a representative of the Interstate Conference of Employment Security Agencies in support of Extended Benefits (E.B.) for exhaustees of regular Unemployment Insurance (U.I.) during state and national periods of high unemployment, with shared financing of the cost of such benefits. This legislation was passed by both houses of Congress with an overwhelming majority in 1967, but its enactment failed due to unresolved other differences.

In 1970, an Extended Benefit Program similar in many respects to the legislation of 1967 was enacted into law as PL 91-363 with an effective date of January 1972, two years after the November 1969 recession began, and one year after the November 1970 trough of that recession. However, a state trigger option permitted a state to enact an Extended Benefits Program and receive federal cost sharing as early as October 1970.

In rebuttal to the Senate Finance Committee's recent Print, which criticized the operation of the E.B. triggers, and widespread criticisms (especially of the state trigger) by other individuals, my testimony and the record will show that twenty-two states took advantage of the early option provided to them by PL 91-373 and enacted an E.B. program prior to January 1, 1972 when it was mandatory, out of thirty-eight states eligible for the early option.

This record is fully documented, is published in various places,[1/] and is fully available to the Department of Labor, because two of their representatives served on a joint committee of experts to analyze the E.B. trigger operations. The Co-chairmen of this group were Murray Dorkin, Principal Actuary, New York State Department of Labor and David L. Edgell, Director of Actuarial Services of the Manpower Administration's Unemployment Insurance Service. The other federal representative was Hyman B. Kaitz, Assistant Commissioner of the Bureau of Labor Statistics.

1/ A Study of Trigger Mechanisms, Report No. 6, Wan Fu Chi, Jim Van Erden, Weber State College, Ogden, Utah, January 1973; Report of Second Meeting ICESA Subcommittee on Extended Benefits Trigger, Murray Dorkin, Chairman, New York State Department of Labor, December 1972; Report of Third Meeting, ICESA Special Committee on Unemployment Problems, Curtis P. Harding, Chairman, Utah Department of Employment Security, September 1972.

Surely this little known fact that thirty-eight out of 52 state jurisdictions would have triggered "on" beginning in 1969 prior to its mandatory January 1972 date without the help of the national trigger, is conclusive evidence that the state trigger worked fairly well, considering the unique and borderline nature of the 1969-72 recession.[2/] (See Chart 2)

Criticism might be justified, of the national trigger formula which was supposed to supplement any shortcomings in the State formula, applying a universal "on" trigger for all states when national unemployment conditions warranted this step.

The national trigger formula, set at an absolute level of 4.5 percent insured unemployed monthly rate, seasonally adjusted, for three consecutive months was never reached throughout the 1969-72 recession without inclusion of state "early optional" Extended Benefit claims. (See Chart 1) Original research conducted by the Utah Department of Employment Security in the early 1960's had not intended that extended duration claims generated by triggered periods be included in either the national or state triggers.

With inclusion of E.B. claims by regulations issued by the U. S. Department of Labor, the national trigger would have operated beginning in June 1971, through March 1972, if an earlier effective date had permitted. Such a date, even though late, would have covered up the undesirable triggering "off" anomolies of many state triggers. Even Alaska which was mentioned in the Senate Finance Committee Print as having been "off" for five weeks between November 28, 1971 and January 1, 1972 would not have been "off" if legislation had been enacted earlier, and the national trigger itself, would have been "on" for nine months instead of three.

2/ Julius Shiskin, "Modernizing Business Cycle Concept," The American Statistician, 1971 p. 17-19. ". . . the magnitude of business fluctuations has steadily been reduced. . . success in ameliorating the severity of economic declines and dampening too rapid expansion has been due, in part, to autonomous stabilizers that have been built into the American economy, such as the income tax, through which federal revenues get larger during periods of expansion and become smaller during periods of contraction; similarly, unemployment insurance payments decline in volume during periods of expansion and rise during periods of contraction. Deliberate activities of the Federal Government to moderate these fluctuations have also played major role. . . . efforts to slow the economy led to a gradual leveling off by the end of 1969 and to a short and mild contraction . . . by the summer of 1970. This contraction, however, still fell short of recession range in terms of most measures. . . The pervasive national effects of the 11-week GM strike beginning September 15, however, did bring the indicators down to what could be regarded as the recession range during the fourth quarter of 1970. . . . the rise in the leading indicators in June and July 1970 suggests that aggregate economic activity would have begun to rise soon afterwards. It is questionable, therefore, whether such a contraction meets the classical definition of a business cycle recession."

In terms of state trigger timing, eighteen of the thirty-eight eligible jurisdictions would have triggered "on" during the downswing, beginning with the States of Maine and Washington in 1969, followed by Rhode Island, Michigan, Louisiana, Oregon, Kentucky, Arkansas, Massachusetts, New Mexico, Montana, California, Idaho, Vermont, New Jersey, Puerto Rico, Alaska, Connecticut, Nevada and New York in 1970. Wisconsin, Pennsylvania, Missouri, Utah, Tennessee, West Virginia, Minnesota, New Hampshire, Oklahoma, North Dakota, Alabama, Ohio, Indiana, Iowa, South Dakota, Hawaii, and Maryland make up the balance of the Thirty-eight states which would have triggered on in 1971 prior to operation of the national trigger in June 1971, if legislation had permitted.

If the national legislation had provided earlier effective dates, then an additional $500,000,000 of purchasing power would have been pumped into the economy. Much of this additional half-billion would have applied earlier in the recession. See Table 2 in the Appendix for estimated state-by state E.B. costs with earlier legislative enactment.

It is my testimony that the trigger formulas, with earlier legislation would have operated fairly well. It is based not only on the facts presented in the charts and tables, but on questionnaire responses by the State Employment Security Agencies in the Summer of 1972 as to whether or not the actual and hypothetical trigger dates were suitable.[1/]

Notwithstanding my testimony as to the triggers operating fairly well there are some improvements that could be made. Temporary changes should be made effective immediately in order to handle possible emergency conditions of high unemployment this year and next, and permanent changes should be made effective by January 1976. Federal legislative action for permanent changes must be followed by State legislation, which takes up to two years lead time without special sessions in some states.

Temporary Changes

A. It is recommended that the expiration date of the optional state trigger formula permitting states to ignore the 120 percent factor be extended until December 31, 1975, instead of letting it expire on June 30, 1974. This recommendation is made strictly in my capacity as Utah State Administrator.

A committee of the Interstate Conference which I chaired made this recommendation as early as August 1971.[2/] At the request of the leadership of the Interstate Conference of Employment Security Agencies, on January 12, 1973 I helped conduct a poll of all states as to whether or not they favored this change. Even though 23 1/3 states voted in favor of this change, 19 1/3 states were opposed. A total of 9 1/3 states did not vote or abstained from voting. The Interstate Conference, therefore, does not have a formal position because twenty-six or more favorable votes out of a total of 51 jurisdictions including Puerto Rico are required to establish a Conference position. The 23 1/3 states in favor of this change represented over 50 percent of the covered employers and 48 percent of the covered workers in the United States. See Appendix for results of Poll.

1/ Report of Third Meeting, ICESA, op. cit.
2/ Minutes of the Ad Hoc Committee on Extended Benefit Trigger; ICESA, Curtis P. Harding, Chairman, Salt Lake City, Utah, December 1971.

Explanatory material was made available to the States before they voted, explaining the pros and cons of this issue. Very briefly, the state trigger formula requires an "off" indicator to discontinue the payment of extended duration benefits whenever the insured unemployment rate (13 week moving average not seasonally adjusted) for a week falls below 4.0 percent or 120 percent of the same comparable weeks average of the two prior years. This feature is deemed to be desirable on two points, namely it presents a limited liability on the cost of such benefits in that they are likely to end after they have been paid for approximately two years. The employers in a state where high unemployment lasts more than two years should not be required to finance the benefits for longer periods because of competitive conditions among states. A second point was based on the expectation that a normal business cycle downturn would not last more than two years, and a new base was desirable in constituting an automatic adjustment to accommodate changes, in either a state's economy, or administation.

It was also recognized that no nationally uniform formula could serve all of the states in a perfect manner without a few exceptional cases, both as to unwanted triggering "on", as well as unwanted triggering "off".

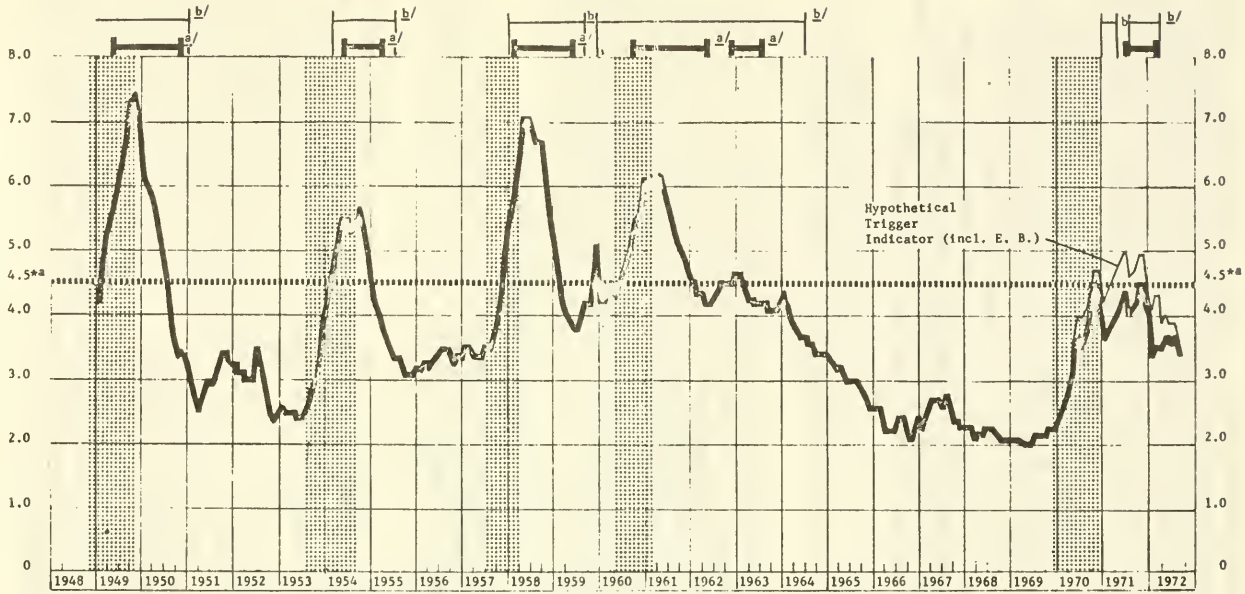
The late effective date of the legislation has focused the spotlight on the tail-end of the 1969-72 recession, and we are so close to it that we have difficulty in looking at the entire period with proper perspective. Such perspective does, however, provide a picture of a few states, more than expected, but perhaps not more than a dozen with continuing high unemployment since the 1971-72 base years not high enough to let the state trigger continue to operate. This problem was recognized early, and Congress has acted several times to relieve the situation by permitting a state to ignore the 120 percent factor relationship to the two prior years by enacting such optional legislation, if they so choose. Other states would be bound by the original provisions.

It appears to me that the Congress would be well advised to extend this option on a temporary basis until the end of next year in view of the substantial support for making the option a permanent feature of the state trigger formula.

B. Congress should not at this time approve the Administration's proposal for special temporary assistance in labor areas with high unemployment rates, because the language of these proposals raises serious questions about the equity of its payroll tax financing, and the feasibility of area trigger operations. A major difficulty would occur in identifying area Unemployment Insurance claimants. But the idea of special programs other than Unemployment Insurance for unemployed individuals in labor areas with high unemployment rates has merit, and the Congress should explore the idea very carefully. There are significant numbers of unemployed individuals in such areas who are not eligible for Unemployment Insurance because of the insurance character of the U.I. Program. For such ineligible individuals, training, relocation or public service jobs would be better than public assistance, but an income maintenance program for them, funded with an employer payroll tax, and closely identified with Unemployment Insurance should not be accepted by this Congress without conclusive research findings as to its equity and feasibility.

CHART 1

UNITED STATES INSURED UNEMPLOYMENT RATE (IUR) (SEASONALLY ADJUSTED) AVERAGE MONTHLY
1948 -- 1972



a/ Public Law 91-373 Extended Benefit Program begins when United States Seasonally Adjusted IUR is 4.5% for three consecutive months and terminates when United State Seasonally Adjusted IUR is less than 4.5% for three consecutive months. (Including extended benefits.)

b/ Alternative proposals would lower the Trigger point to 4.0 excluding extended benefits.

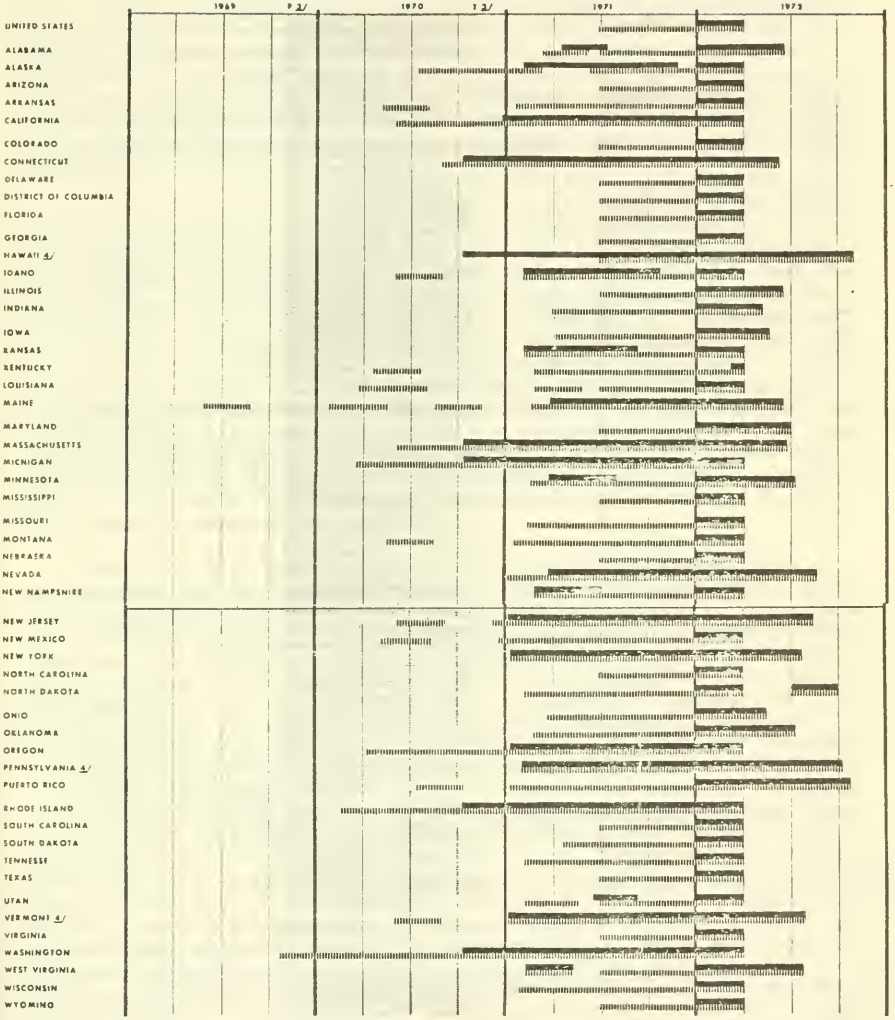
Source: Historical Statistics of Employment Security Activities, 1938-1966, U. S. Department of Labor, Data for Seasonally Adjusted IUR, 1949-1966, average monthly. Unemployment Insurance Statistics, U. S. Department of Labor, Data for Seasonally Adjusted IUR, 1967-1972, average monthly.

T P — NBER Business Expansions

P T — NBER Business Contractions (1969-1971 Tentative)

Note: Excludes Extended Benefits.

CHART 2
EXTENDED BENEFIT (E.B.) PERIODS
ACTUAL 1/ AND HYPOTHETICAL 2/ 1969-1972



NOTE: DATA COMPILED AS OF SEPTEMBER 30, 1972.

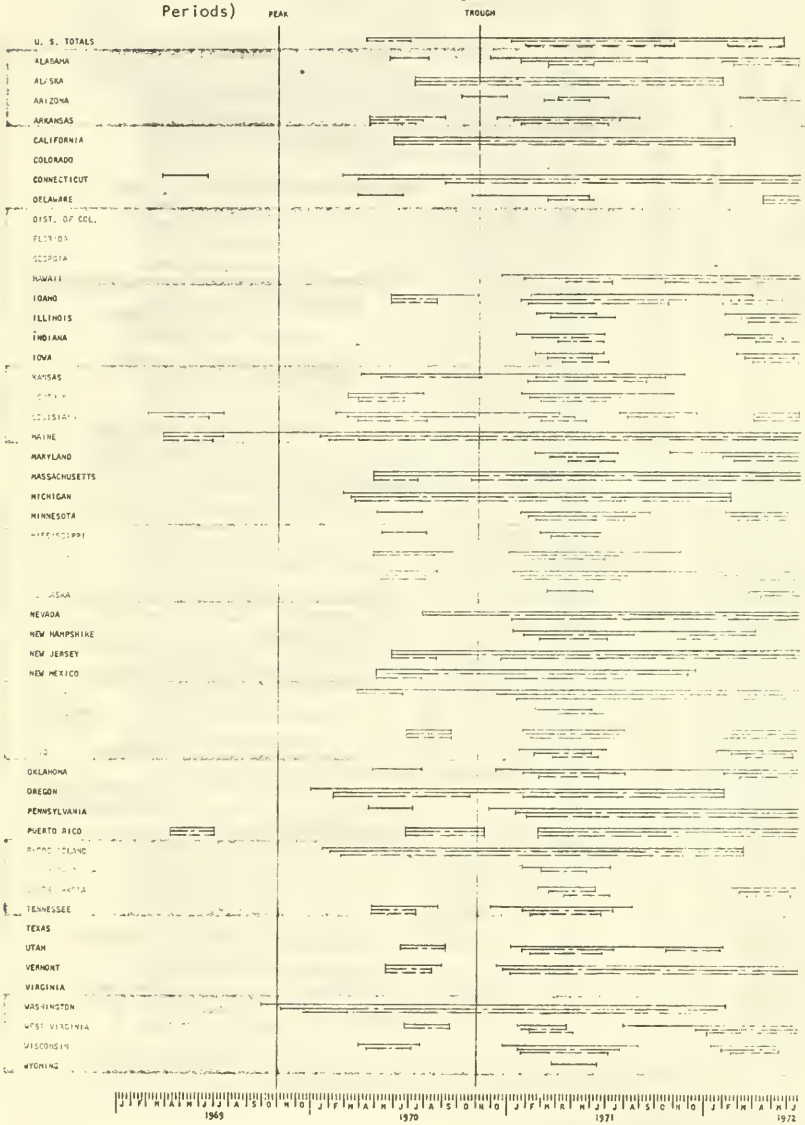
1/ ACTUAL EXTENDED BENEFIT PERIODS AS OCCURRED UNDER LAW.

2/ ASSUMES EXTENDED BENEFIT PROGRAM BECAME EFFECTIVE IN ALL STATES JANUARY 1969.

3/ BUSINESS CYCLE REFERENCE DATE, PEAK - NOVEMBER 1969 THROUGH - NOVEMBER 1970, AS DESIGNATED BY NATIONAL BUREAU OF ECONOMIC RESEARCH, INC

4/ HAWAII, PENNSYLVANIA AND VERMONT, WERE STILL PAYING BENEFITS AS OF SEPTEMBER 30, 1972

Chart 3. Extended Benefit Periods With State Trigger Factor Equal to 115 Percent of Prior Two Year Average 1969-1972 (Excluding National Trigger Periods)



A Study of Trigger Mechanism Report No. 6, Figure 2, p.6, Wan Fu Chi, Jim Van Erden, Weber State College, January 1973

Permanent Changes

Permanent improvements in both the national and state trigger formulas should be made by action of the Congress now so that the effective date incorporated in State legislation would be no later than Jan. 1, 1976. Federal legislative action must be followed in most instances by State legislative action which requires up to two years lead time because some State Legislatures meet no more often. A mandatory change, even in the national trigger formula would require changes in state legislation because the language of the federal trigger was adopted by nearly every State as its own language.

(a) It is recommended that a permanent improvement in the national trigger formula would result from lowering the specified monthly rate from 4.5 percent to 4.0 percent (seasonally adjusted), but excluding Extended Benefit claims. The language of the change should also stipulate that the source of the monthly rate to be used for trigger purposes should be for the week containing the 12th of each month as published by the Bureau of Labor Statistics and released to the public by them on Friday of the third week following the week containing the 12th of each calendar month. Support for this change has been voiced by Mr. Hyman B. Kaitz, then Assistant Commissioner of Labor Statistics in the U. S. Department of Labor. I make this recommendation fully aware of the results of the January 12, 1973, poll of all States taken by the Interstate Conference showing 33 1/3 States were opposed to lowering the national trigger (including E.B. claims). See Appendix. I also make this recommendation now even though Utah was one of the 33 States opposed to it in 1973.

I now make these recommendations because I believe based on advice from my staff that the national trigger formula as now constituted (excluding E.B. benefits) will fail to operate even though labor force unemployment rates reach six percent. I feel it is most desirable for a national trigger to operate when national unemployment rates are that high in order to stabilize the economy and supplement the State trigger system. You will note from following the heavy line on Chart 1, which excludes E.B. claims, that at no time was the rate significantly above 4.5 percent since 1961. The poll of all states did not provide an opportunity to vote on the proposal to lower the national trigger excluding E.B. claims.

(b) It is recommended that the State trigger factor be lowered from 120 percent to 115 percent of the prior two years in order to make it more sensitive to post-recession conditions. Chart No. 3 shows how the 115 percent factor would have operated during the 1969-72 recession, without the national trigger. Table No. A1 in the Appendix compares the number of triggered weeks for each State for the past three recessions using a 115 percent factor as opposed to the 120 percent factor in the current law. These data which exclude completely any effect of the national trigger show that 7 percent more triggered weeks would have been available during the 1969-72 recession, 16 percent more during the 1960-62 recession, and 4 percent more during the 1957-59 recession. Most States would have experienced no change from the lower 115 percent factor as it relates to the prior two year period, because the four percent insured unemployment rate floor was the governing factor in most cases. The influence of the national trigger would reduce the differences even more. Nevertheless,

a dozen or more States, based on 1969-72 data, would likely be triggered sooner, or longer, with a lower factor, and greater sensitivity would counteract in a small degree the insensitivity of the continuing high unemployment in some States.

(c) It is recommended that unemployed individuals whose exhaustion or entitlement to benefits expired during the 13 weeks prior to a triggered period, should be granted eligibility. Such a provision would follow the precedent established by the Congress when they enacted the Temporary Extended Unemployment Compensation (TEUC) Act of 1961. It would also agree with provisions enacted by the State of California governing its own State financed extended duration program. According to California actuaries[1/] the provision is justified as follows:

> "One consideration is that the workers unemployed at the beginning of a recession often face a longer period of unemployment than those laid off later on, and they may be entirely excluded from any extended benefits. From this point of view, 13 weeks of high unemployment seems a long enough period to trigger the program on and, in addition, all the claimants whose unemployment was involved in the 13 week average should be entitled to extended benefits.
>
> "In this respect there is a noteworthy difference between the federal extended benefit program and the California extended duration program. The latter program compensates those whose benefit year expired during the prior 13 weeks and who are not able to establish a new benefit year, while under the federal program a claimant whose benefit year ends prior to an extended benefit period is not eligible for benefits. The California provision seems liberal, but is not costly. In 1971 only 2,160 claimants who were not eligible for extended benefits were entitled to California benefits because of this retroactive feature. In contrast, during the first two weeks the federal-state program was in effect some 46,400 exhaustees filed claims for extended benefits."

(d) It is recommended that the law be changed to assure Extended Benefit entitlements already determined prior to the ending of a triggered period are payable for at least a three-month period. Precedents for a "phase-out" period of this nature are in the TEUC Act of 1961 and in the Emergency Unemployment Compensation Act (T.C.) of 1972. This change would not be costly, and would relieve the program of some very harsh criticism by disgruntled claimants during the closing weeks of a triggered period who are determined entitled to a specified number of weeks of benefits, which, however, is abrogated if the triggered period ends, regardless of their continued unemployment.

(e) A fifth and final recommendation for permanent improvement of the trigger formulas is to eliminate the requirement that when a State triggers "off" it be "off" for thirteen weeks regardless of how high the trigger

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1/ E.B. Trigger Subcommittee Meeting, ICESA, May, 1972.

factors increase during the ensuing twelve weeks before a trigger "on" condition is allowed. This requirement is not enforced when the national trigger is "on", and a state may experience an interval as short as one week between triggering "off" on a State trigger and "on" with a national trigger. As long as a minimum of thirteen weeks "on" is retained for both State and national formulas, little difficulty can be expected from too frequent "off" and "on" periods.

Even with these changes it is recognized that a trigger system cannot and will not meet all eventualities. I therefore suggest that Congress consider the establishment of a ceiling, a level of unemployment at which and above which a state at its own option may allow payment of extended benefits. I suggest that this ceiling be 6% insured unemployment. This would mean then that states below 4% I.U.R. could not pay extended benefits (except when the national trigger is on). States whose 13 week moving average I.U.R. was between 4% and 6% would pay extended benefits only if they met the 20% higher than previous experience requirement. (I have recommended that this be changed to 15%). States leaving over 6% I.U.R. would have the option of paying extended benefits so long as this level of unemployment pertained.

It is my considered opinion that enactment of these recommendations would materially improve the trigger formulas and, consequently, let the Extended Benefit program serve the nation better as an economic stabilizer, as well as the individual worker who has exhausted normal benefit entitlement during periods of scarce job opportunities.

Exhibit "B"

INTERSTATE CONFERENCE of EMPLOYMENT SECURITY AGENCIES

February 27, 1973

RECEIVED MAR 1 1973 Dept. of Employment Security Adm. Office Utah

MEMORANDUM

TO: All State Administrators

FROM: Lawrence A. Burley
Executive Secretary

Larry B.

SUBJECT: Results of Poll as to Changing the Trigger Formulas of the "Federal-State Extended U.C. Act of 1970"

On January 12, 1973 the State agencies were polled to determine their position as to changing the national trigger provision and the State trigger provision of the Federal-State Extended Unemployment Compensation Act of 1970, Title II of P.L. 91-373.

As of this date three States have not acted on the poll and therefore have been counted as not voting.

The tabulated results of the poll are as follows:

A. Should the national trigger indicator in section 203(d) be changed (from 4.5%) to 4 percent?

	Number of State Agencies		Per Cent of Total Covered Employers 1/	Per Cent of Total Covered Workers 2/
Yes	11 1/3	3/	35.64	34.95
No	33 1/3	3/	49.61	48.30
Abstain	4		11.08	13.00
Not Voting	3 1/3	3/	3.67	3.75
	52	4/	100%	100%

B. Should section 203(e) be changed to permit a State (by individual State action) to trigger "on" and remain "on" whenever the States' I.U.R. indicator for a week, is 4 percent or more but less than 120 percent of the prior 2 year average?

	Number of State Agencies		Per Cent of Total Covered Employers 1/	Per Cent of Total Covered Workers 2/
Yes	23 1/3	3/	50.11	47.66
No	19 1/3	3/	31.29	31.10
Abstain	6		14.94	17.46
Not Voting	3 1/3	3/	3.66	3.78
	52	4/	100%	100%

E

1/ Total employers covered under State Unemployment Insurance Laws, including the District of Columbia and Puerto Rico, as of June 1972.

2/ Total workers covered under State Unemployment Insurance Laws, including the District of Columbia and Puerto Rico, as of March 1972.

3/ The Iowa Employment Security Commission split its vote into three parts.

4/ Includes the District of Columbia and Puerto Rico. The Virgin Islands pursuant to Article III of the Constitution, does not have a vote on this issue since it is not covered by the Federal Unemployment Tax Act.

Exhibit "C"

FORM 702

IN REPLY REFER TO
FILE 1:CPII

UTAH DEPARTMENT OF EMPLOYMENT SECURITY

174 SOCIAL HALL AVENUE - SALT LAKE CITY, UTAH 84111 - TELEPHONE 322-1433

A DIVISION OF
THE INDUSTRIAL COMMISSION

January 18, 1973

CURTIS P. HARDING
ADMINISTRATOR

Mr. Lawrence A. Burley
Executive Secretary
Interstate Conference of
Employment Security Agencies
Room 1104, Longfellow Bldg.
1741 Rhode Island Ave. N. W.
Washington, D. C. 10110

Dear Lawrence:

Poll of States - Utah Comments

Utah approves of changing the state trigger formula but opposes the national proposal. Utah's position is not strongly taken in respect to either proposal.

There are important qualifications about the changes which should be voiced for future consideration of the Conference or the Congress.

The concept of providing longer periods of E.B. eligibility has considerable merit. Both proposals, in our opinion, would tend to increase effectiveness of Extended Benefits in Utah, not only by lengthening payment periods, but by initiating somewhat earlier effective dates. Both proposals, however, accentuate major problems in the Extended Benefit Program. The unsolved problems which would be exaggerated are in the area of financing, and questions about individual worker eligibility.

The decisions to support the state formula change and oppose the national proposal were borderline. Strong support by the Utah agency has heretofore been given to the E.B. program because the benefits appeared to outweigh the problems, notwithstanding recognition of imperfect trigger formulas, both state and national. Liberalization via the national trigger change appears to have a potential for making the problems of worker eligibility and equitable financing greater than the obvious benefits. An additional factor influencing Utah's decision against the national trigger change was the considerable burden of the mandatory change requiring the Utah legislature and those in 52 other jurisdictions to change the language of their laws.

The state trigger change, on the other hand, would operate in the direction of liberalizing the length of extended benefit periods only in those states which were eligible, and which decided by state legislative process that the change was desirable. Utah is one of 13 states (excluding Puerto Rico) which would have been eligible under the proposal for initiating an E. B. period in 1969, before the recession began (see Chart 5 of the Explanatory Material). The IUR indicator

Exhibit "C"

invariably exceeds 4.0 percent on a seasonal basis every winter in Utah and falls below 4.0 at the beginning of each summer. It is our opinion that Utah would not act to change its law in accordance with the option. Contingencies, however, might arise with severe layoffs shortly after a recession's end where emergency action might be taken by the State legislature. For example, Utah has a number of federal military and other installations which could cause severe problems in the local job market without raising the IUR indicators for the State because Federal claims (UCFE) are excluded from the trigger formula. Federal unemployment would be concentrated near Utah's second largest city without affecting the statewide average significantly.

There is another possibility that Utah might consider adopting a minor change in the Utah formula lowering the prior year indicator from 120 percent to 115 percent because research indicates that the lower relationship would be more sensitive and might avoid an illogical triggering "off" during some winters when Utah's normally high rate makes it difficult to reach the 120 percent level.

Cost-wise, the essential difference between changing the national and state triggers is the lack of state control over costs incurred by possible illogical operation of the national proposal. There are two extreme possibilities to consider. If the national trigger is not changed, then nationally triggered benefits may never occur (especially if E.B. claims are excluded). If the national trigger failed to operate, then Utah would more likely need to exercise the option permitted in the state trigger proposal. On the other hand, if the national trigger point is lowered to 4.0 percent (including E.B.), then nationally triggered periods might last as long as six years -- based on 1958-1964 experience -- and costs could be significant and not subject to state control.

The regressive nature of the payroll tax charging higher rates as a proportion of total payrolls to small firms and firms with low wages would be accentuated with estimated higher costs associated with changing the federal formula. The federal share of extended benefits would be more equitable if it were financed out of general revenues rather than FUTA. General revenues more nearly reflect ability to pay and the general welfare concept of stabilizing purchasing power. FUTA revenues are now limited to private industry employers, so that they are paying the E.B. costs and entire administrative expenses of regular benefits for non-profit organizations, or state and local government if covered.

In respect to the major problem of worker eligibility, if the state trigger option were adopted, as contrasted to adoption of the national trigger change, Utah believes that eligibility problems would be much less serious.

Studies of TEUC, E.B., and exhaustee characteristics in Utah have shown that a high proportion of the individuals receiving extended benefits, or exhausting during periods of comparatively low unemployment, are seasonal workers, secondary workers, and retired workers. With the state trigger change, even with the maximum permitted for seasonal E.B. payments the proportions of such workers with questionable labor market attachment would not be very high. But, when nationally

Exhibit "C"

triggered E.B. payments are made during low unemployment periods in the state during July to December, then public acceptance and employee attitudes would be unfavorable.

Sincerely,

Administrator

md
cc: Carlyle Gronning

FORM 707

Exhibit "D"

IN REPLY REFER TO FILE 1:SWN

UTAH DEPARTMENT OF EMPLOYMENT SECURITY

174 SOCIAL HALL AVENUE - SALT LAKE CITY, UTAH 84111 - TELEPHONE 322-1433

A DIVISION OF THE INDUSTRIAL COMMISSION

CURTIS P. HARDING ADMINISTRATOR

April 25, 1973

Mr. Lawrence A. Burley
Executive Secretary
Interstate Conference of
Employment Security Agencies
Room 1104, Longfellow Building
1741 Rhode Island Ave. N. W.
Washington, D. C. 10110

Dear Lawrence:

April 20, 1973 Poll of States - Utah Comments

Utah is not opposed to the principle of lengthening the maximum duration of extended benefits to as long as 52 weeks overall, but is opposed to doubling original entitlement for all exhaustees during triggered periods. Utah would not object to a proposal for providing up to 52 weeks overall maximum duration during triggered periods to those exhaustees with strong labor market attachment, based on evidence of steady prior work history, and provided general revenues of the United States were used for the cost of duration exceeding 39 weeks. Our objection to the poll proposal rests on the accentuated use of the program by the high proportion, relative to the total of exhaustees, who are seasonal or short term workers; secondary workers with questionable attachment to the labor force; and retired workers.

Granted that prior work history is an imperfect measure of current labor market attachment, it is the best measure that can be universally applied. In order to assure that higher payments are to exhaustees, the majority of whom are truly looking for work, it would be desirable to limit such higher payments to exhaustees whose prior work history covered more than 26 weeks in the base period. It would also be helpful to devise a Public Employment Program of some sort to test the job availability of long duration exhaustees.

It is recommended that the states again be polled on this question several years after a position has been taken on the proposal to encourage states to lengthen regular duration of benefits up to a maximum of 39 weeks on a voluntary basis with the incentive of federal sharing of the cost of payments exceeding 26 weeks up to 39.

It is believed that a study of this proposal by the states, whether approved or disapproved, will promote a strengthening of the duration and qualification provisions in many state laws. In my own state of Utah, for example, which now pays up to thirty-six weeks of regular benefits for claimants with a steady work history, it is hoped that the federal sharing incentive would help us lengthen the maximum to 39 weeks for very steady workers, and at the same time tighten up qualification and duration provisions and perhaps eliminate the waiting week.

Exhibit "D"

Ultimately, if the pattern was common for states to have durations extending from a low number of weeks for workers with marginal attachment, to 39 weeks maximum for steady workers, then the extended benefit formula itself could be changed to provide an additional one-third of original entitlement during triggered periods rather than one-half. This would provide the 15 week exhaustees with an additional five weeks for a total of 20 weeks, while the 39 week exhaustee could draw a maximum of 52 when jobs were generally scarce. A program of this nature would remove most of Utah's objections and would permit liberalization and strengthening of the extended benefit provisions in other respects, such as eligibility for additional backlog of claimants and removal of the cut-off of E.B. entitlement due to a sudden end of triggered period.

Sincerely,

Administrator

af

TABLE A1

COMPARISON OF TOTAL WEEKS' DURATION OF EXTENDED BENEFIT PERIODS UNDER TI USING THE 13-WEEK MOVING AVERAGE OF INSURED UNEMPLOYMENT RATES WITH EXTENDED BENEFIT CLAIMS

STATE	July 1957 - June 1959**						May 1960 - April 1962**						Nov. 1969 - June 1972					
	3%		3.5%		4%		3%		3.5%		4%		3%		3.5%		4%	
	115%	120%	115%	120%	115%	120%	115%	120%	115%	120%	115%	120%	115%	120%	115%	120%	115%	120%
ALABAMA	76	72	76	72	74	71	25	19	25	19	25	19	96	82	56	55	31	31
ALASKA*	--	--	--	--	--	--	28	23	28	23	28	23	82	67	82	67	82	67
ARIZONA	62	60	58	56	44	44	34	31	34	31	33	31	40	40	26	26	0	0
ARKANSAS	70	68	70	68	67	66	48	44	48	44	48	44	59	51	44	42	37	37
CALIFORNIA	63	61	61	59	59	57	72	68	72	68	72	68	91	88	91	88	91	88
COLORADO	22	22	18	18	14	14	27	27	22	22	17	17	0	0	0	0	0	0
CONNECTICUT	72	71	65	64	63	62	30	23	30	23	30	23	122	120	118	117	95	94
DELAWARE	62	61	52	52	46	46	40	38	24	23	21	20	56	53	24	21	11	0
DIST. OF COL.	27	27	0	0	0	0	13	13	0	0	0	0	0	0	0	0	0	0
FLORIDA	60	59	55	55	33	33	57	46	57	46	48	45	0	0	0	0	0	0
GEORGIA	67	60	67	54	47	47	42	37	42	37	42	37	0	0	0	0	0	0
HAWAII*	--	--	--	--	--	--	45	43	41	41	22	22	80	80	74	74	50	50
IDAHO	52	39	33	33	30	30	62	56	54	41	46	46	83	76	70	70	64	64
ILLINOIS	67	66	65	64	63	62	38	32	31	29	26	24	43	43	30	30	14	14
INDIANA	62	61	60	59	59	58	38	35	35	34	30	29	37	37	29	29	26	26
IOWA	22	22	17	17	14	14	50	50	44	31	15	15	37	35	27	27	26	26
KANSAS	30	25	23	20	19	18	39	30	32	25	27	24	86	86	63	63	32	32
KENTUCKY	56	51	56	51	56	51	36	32	36	32	36	32	62	55	41	38	31	31
LOUISIANA	70	70	68	68	65	65	56	49	60	49	56	49	54	56	74	48	45	32
MAINE	78	72	78	72	78	72	31	19	31	19	31	19	139	125	128	114	125	112
MARYLAND	76	75	74	73	72	71	21	16	21	16	21	16	59	59	36	36	32	32
MASSACHUSETTS	96	82	79	63	68	65	33	20	33	20	33	20	114	112	114	112	101	109
MICHIGAN	63	62	63	62	63	62	38	33	38	33	38	33	105	101	101	93	100	93
MINNESOTA	56	55	41	41	49	35	37	34	32	29	29	26	69	69	49	49	42	42
MISSISSIPPI	52	49	52	49	52	49	49	45	49	45	49	45	30	27	13	13	0	0
MISSOURI	54	53	53	52	41	41	46	43	46	43	36	34	63	65	43	42	20	20
MONTANA	73	70	69	66	59	59	18	13	16	13	15	13	80	67	60	53	52	38
NEBRASKA	14	13	13	13	13	13	25	26	25	13	13	13	26	25	12	12	0	0
NEVADA	63	60	61	58	59	56	39	32	33	32	35	30	101	99	101	93	77	77
NEW HAMPSHIRE	50	47	50	47	50	47	41	30	41	30	41	30	65	56	49	43	32	32
NEW JERSEY	83	75	83	75	83	75	0	0	0	0	0	0	109	107	109	107	93	94
NEW MEXICO	34	34	24	24	19	19	94	77	75	63	63	46	85	81	83	81	45	45
NEW YORK	78	75	74	72	72	70	0	0	0	0	0	0	118	113	94	94	76	76
NORTH CAROLINA	65	63	65	63	51	50	34	30	34	30	34	30	16	16	13	13	0	0
NORTH DAKOTA	18	15	17	14	16	13	39	39	39	39	39	39	64	54	60	51	57	36
OHIO	60	59	59	58	45	45	55	51	55	51	51	49	46	44	33	32	26	26
OKLAHOMA	65	63	62	60	60	58	53	46	53	46	53	46	95	81	49	43	34	32
OREGON	70	64	62	61	59	58	48	45	40	36	36	34	110	94	104	94	91	81
PENNSYLVANIA	81	78	81	78	81	78	28	18	28	18	28	18	96	96	76	76	73	73
PUERTO RICO*	--	--	--	--	--	--	--	--	--	--	--	--	92	77	92	77	92	77
RHODE ISLAND	64	59	64	59	64	59	25	18	25	18	25	18	112	103	110	103	107	103
SOUTH CAROLINA	61	43	58	43	41	38	45	41	43	41	31	31	24	24	13	13	0	0
SOUTH DAKOTA	13	13	13	13	13	13	26	13	26	13	26	0	34	34	27	27	26	26
TENNESSEE	48	42	48	42	48	42	46	42	46	42	46	42	57	54	38	38	33	20
TEXAS	52	52	39	39	14	14	37	33	24	24	15	15	0	0	0	0	0	0
UTAH	37	37	30	30	25	25	30	28	26	26	22	22	70	53	53	26	20	13
VERMONT	64	60	61	57	47	47	55	51	55	51	41	41	97	95	92	92	90	77
VIRGINIA	48	48	42	29	22	22	27	27	20	20	15	15	0	0	0	0	0	0
WASHINGTON	68	66	65	63	62	60	42	33	42	33	42	33	120	117	119	116	113	110
WEST VIRGINIA	83	81	80	79	78	77	18	13	18	13	18	13	74	71	54	54	38	38
WISCONSIN	64	63	62	61	60	59	38	37	26	25	23	22	73	63	58	53	38	35
WYOMING	45	45	41	41	38	38	41	28	38	26	36	26	13	13	0	0	0	0
TOTAL	2816	2668	2607	2472	2355	2269	1939	1677	1799	1528	1607	1387	3426	3165	2832	2651	2268	2114

*Complete data not available
**Without E.B.

Table 2

Actual and Hypothetical Duration of Extended Benefit (E. B.)
Periods and Costs, 1969-1972

Region and State (1)	Weeks Duration: Actual 1/ (2)	Weeks Duration: Hypothetical 2/ (3)	Adjustment Factor 3/ (4)	E. B. Cost (in millions): Actual 1/ (5)	E. B. Cost (in millions): Estimated 4/ (6)
Total U. S.	36.6	69.1	NA	$1,122.4	$1,593.8
Region I	74.0	98.7	NA	$ 164.8	$ 199.3
Connecticut	88	93	1.06	71.4	75.7
Maine	63	111	1.76	7.2	12.7
Massachusetts	89	112	1.26	66.4	83.7
New Hampshire	32	58	1.81	0.8	1.4
Rhode Island	77	110	1.43	14.1	20.2
Vermont	95	108	1.14	4.9	5.6
Region II	68.7	95.7	NA	$ 355.3	$ 380.13
New Jersey	84	101	1.20	125.0	150.0
New York	80	80	1.00	230.3	230.3
Puerto Rico	42	106	NA	NA	NA
Virgin Islands	NA	NA	NA	NA	NA
Region III	32.5	55.2	NA	$ 65.1	$ 79.6
Delaware	13	40	3.08	0.5	1.5
D. C.	13	40	3.08	0.5	1.5
Maryland	26	53	2.04	8.9	18.2
Pennsylvania	88	88	1.00	52.4	52.4
Virginia	13	40	3.08	0.9	2.8
West Virginia	42	70	1.67	1.9	3.2
Region IV	14.9	49.4	NA	$ 19.6	$ 62.0
Alabama	37	64	1.73	6.6	11.4
Florida	13	40	3.08	3.9	12.0
Georgia	13	40	3.08	2.1	6.5
Kentucky	4	71	17.75	0.4	7.1
Mississippi	13	40	3.08	0.6	1.8
North Carolina	13	40	3.08	1.7	5.2
South Carolina	13	40	3.08	1.2	3.7
Tennessee	13	60	4.62	3.1	14.3
Region V	32.8	68.5	NA	$ 171.2	$ 308.0
Illinois	24	51	2.13	26.2	55.8
Indiana	18	58	3.22	7.2	23.2
Michigan	77	107	1.39	104.9	145.8
Minnesota	46	73	1.59	16.2	25.8
Ohio	19	60	3.16	13.8	43.6
Wisconsin	13	62	4.77	2.9	13.8
Region VI	15.8	67.8	NA	$ 12.0	$ 44.2
Arkansas	13	76	5.85	0.8	4.7
Louisiana	13	72	5.54	2.5	13.9
New Mexico	13	80	6.15	0.3	1.8
Oklahoma	27	71	2.63	4.6	12.1
Texas	13	40	3.08	3.8	11.7
Region VII	22.8	55.0	NA	$ 18.1	$ 47.5
Iowa	20	59	2.95	3.4	10.0
Kansas	45	61	1.36	8.9	12.1
Missouri	13	60	4.62	4.9	22.6
Nebraska	13	40	3.08	0.9	2.8
Region VIII	17.3	55.5	NA	$ 2.2	$ 7.1
Colorado	13	40	3.08	0.3	.9
Montana	13	76	5.85	0.4	2.3
North Dakota	26	74	2.85	0.5	1.4
South Dakota	13	50	3.85	0.2	.8
Utah	26	53	2.04	0.7	1.4
Wyoming	13	40	3.08	0.1	.3
Regions IX - X	58.3	85.4	NA	$ 314.1	$ 465.8
Arizona	13	40	3.08	1.1	3.4
California	67	96	1.43	216.5	309.6
Hawaii	64	79	1.23	8.6	10.6
Nevada	74	85	1.15	4.9	5.6
Alaska	56	77	1.38	1.3	1.8
Idaho	51	74	1.45	1.7	2.5
Oregon	64	104	1.62	11.0	17.8
Washington	77	128	1.66	69.0	114.5

1/ Actual E. B. periods with effective date of national E. B. period of January 2 - April 1, 1972, or optional state trigger after October 11, 1970 through December 31, 1972.

2/ Hypothetical E. B. periods assuming national and state trigger provisions were effective beginning in 1969, through December 31, 1972.

3/ Adjustment factor is hypothetical duration, Column 3, divided by actual duration, Column 2.

4/ Estimated E. B. cost is a rough approximation of extended benefits through December 31, 1972, which would have been paid if P. L. 91-373 legislation had been enacted early enough to require payments beginning in 1969, where applicable. Obtained by multiplying Column 5 by Column 4.

TABLE 3

CHRONOLOGICAL SEQUENCE OF HYPOTHETICAL TRIGGER DATE, AND ACTUAL EXTENDED BENEFIT PAYMENT PERIODS 1969-1972

State	Actual EB Period On	Actual EB Period Off
Washington	10/11/70	04/01/72
Rhode Island	10/11/70	04/01/72
Michigan	10/11/70	04/01/72
Massachusetts	10/11/70	06/24/72
Connecticut	10/11/70	08/10/72
California	12/20/70	04/01/72
Vermont	01/03/71	10/28/72
New Jersey	01/03/71	08/12/72
New York	01/10/71	07/22/72
Oregon	01/10/71	04/01/72
Pennsylvania	01/31/71	10/07/72
Kansas	01/31/71	09/11/71
Idaho	01/31/71	10/23/71
Alaska	01/31/71	11/27/71
West Virginia	02/07/71	05/08/71*
New Hampshire	02/21/71	07/03/71
Nevada	03/21/71	06/19/72
Minnesota	03/21/71	07/31/71
Maine	03/21/71	06/17/72
Alabama	04/11/71	07/10/71*

Month	State	Hypothetical Trigger Dates[3/] On	Hypothetical Trigger Dates[3/] Off[4/]
1969 May	Maine	05/10/69	08/02/69
1969 October	Washington	10/04/69	03/11/72
1970 January	Maine	01/10/70	04/25/70
February	Rhode Island	02/07/70	03/11/72
	Michigan	02/28/70	03/11/72
March	Louisiana	03/07/70	07/11/70
	Oregon	03/21/70	03/11/72
April	Kentucky	04/04/70	06/27/70*
	Arkansas	04/18/70	07/11/70*
	Massachusetts	04/18/70	06/03/72
	New Mexico	04/25/70	07/18/70*
May	Montana	05/02/70	07/25/70*
	California	05/16/70	03/11/72
	Idaho	05/16/70	08/08/70*
	Vermont	05/16/70	08/08/70*
	New Jersey	05/23/70	08/15/70*
June	Puerto Rico	06/27/70	09/19/70
	Alaska	06/27/70	02/13/71
August	Maine[1/]	08/01/70	10/24/70
	Connecticut	08/15/70	05/20/72
October			
November	New Jersey	11/21/70	07/22/72
December	New Mexico	12/05/70	03/11/72
	Nevada	12/19/70	07/29/72
	Vermont	12/19/70	10/07/72
	New York	12/26/70	07/01/72
	Puerto Rico	12/26/70	09/30/72
1971 January	Arkansas	01/02/71	06/05/71[5/]
	Montana	01/02/71	03/11/72
	Wisconsin	01/09/71	
	Kansas	01/16/71	03/11/72
	Pennsylvania	01/16/71	09/16/72
	Idaho	01/16/71	03/11/72
	Missouri	01/23/71	06/05/71[2/]
	Utah	01/23/71	04/17/71*
	Tennessee	01/23/71	06/05/71[2/]
	West Virginia	01/23/71	04/17/71*
	Maine[1/]	01/30/71	05/27/72
	Minnesota	01/30/71	06/17/72
February	Kentucky	02/06/71	06/05/71[2/]
	Louisiana	02/06/71	05/01/71*
	New Hampshire	02/06/71	03/11/72
	Oklahoma	02/06/71	06/17/72
	North Dakota	01/23/71	03/11/72
	Alabama	02/20/71	05/15/71
March	Ohio	03/06/71	04/22/72
	Indiana	03/13/71	06/05/71*[2/]
	Iowa	03/20/71	04/29/72*
April	South Dakota	04/03/71	03/11/72*
May	Alaska[1/]	05/22/71	03/11/72

Temporary Emergency Unemployment Compensation "TC"

State	On	Off

TABLE 3 (Continued)

CHRONOLOGICAL SEQUENCE OF HYPOTHETICAL TRIGGER DATA, AND ACTUAL EXTENDED BENEFIT PAYMENT PERIODS 1969-1972

State	Actual EB Period On	Actual EB Period Off		Month	State	Hypothetical Trigger Dates 1/ On	Hypothetical Trigger Dates 1/ Off 4/	Temporary Emergency Unemployment Compensation "TEC" State	TEC On	TEC Off
Utah 2/	06/13/71	09/11/71*	1971	June	Alabama	06/12/71	05/27/72			
					Arizona	06/12/71	03/11/72			
					Arkansas	06/12/71	03/11/72			
					Colorado	06/12/71	03/11/72			
					Delaware	06/12/71	03/11/72			
					Dist. of Columbia	06/12/71	03/11/72			
					Florida	06/12/71	03/11/72			
					Georgia	06/12/71	03/11/72			
					Hawaii	06/12/71				
					Illinois	06/12/71	05/27/72			
					Indiana	06/12/71	04/15/72			
					Kentucky	06/12/71	03/11/72			
					Louisiana	06/12/71	03/11/72			
					Maryland	06/12/71	06/10/72			
					Mississippi	06/12/71	03/11/72			
					Missouri	06/12/71	03/11/72			
					Nebraska	06/12/71	03/11/72			
					North Carolina	06/12/71	03/11/72			
					South Carolina	06/12/71	03/11/72			
					Tennessee	06/12/71	03/11/72			
					Texas	06/12/71	03/11/72			
					Utah	06/12/71	03/11/72			
					Virginia	06/12/71	03/11/72			
					West Virginia	06/12/71	07/01/72			
					Wyoming	06/12/71	03/11/72			
Hawaii	10/10/71			October						
Alabama	01/02/72	06/17/72	1972	January				Alaska	01/29/72	
Alaska	01/02/72	04/01/72						California	01/29/72	
Arizona	01/02/72	04/01/72						Connecticut	01/29/72	
Arkansas	01/02/72	04/01/72						Maine	01/29/72	
								Massachusetts	01/29/72	
Colorado	01/02/72	04/01/72						Michigan	01/29/72	
Delaware	01/02/72	04/01/72						Nevada	01/29/72	
Dist. of Colum.	01/02/72	04/01/72						New Jersey	01/29/72	
Florida	01/02/72	04/01/72						New York	01/29/72	
Georgia	01/02/72	04/01/72						Oregon	01/29/72	
Idaho	01/02/72	04/01/72						Rhode Island	01/29/72	
Illinois	01/02/72	06/17/72						Vermont	01/29/72	
Indiana	01/02/72	05/06/72						Washington	01/29/72	
Iowa	01/02/72	05/20/72								
Kansas	01/02/72	04/01/72								
Louisiana	01/02/72	04/01/72								
Maryland	01/02/72	07/01/72								
Minnesota	01/02/72	07/08/72								
Mississippi	01/02/72	04/01/72								
Missouri	01/02/72	04/01/72								
Montana	01/02/72	04/01/72								
Nebraska	01/02/72	04/01/72								
New Hampshire	01/02/72	04/01/72								
New Mexico	01/02/72	04/01/72								
North Carolina	01/02/72	04/01/72								
Ohio	01/02/72	05/13/72								
Oklahoma	01/02/72	07/08/72								
Puerto Rico	01/02/72	10/21/72								
South Carolina	01/02/72	04/01/72								
South Dakota	01/02/72	04/01/72								
Tennessee	01/02/72	04/01/72								
Texas	01/02/72	04/01/72								
Utah	01/02/72	04/01/72								
Virginia	01/02/72	04/01/72								
West Virginia	01/02/72	07/22/72								
Wisconsin	01/02/72	04/01/72								
Wyoming	01/02/72	05/01/72								
North Dakota	01/02/72	04/01/72								
				February				Montana	02/19/72	
								North Dakota	02/26/72	
Kentucky	03/05/72 5/	04/01/72		March				Puerto Rico	03/11/72	
								West Virginia	03/18/72	
				April				Idaho	04/06/72	
								Minnesota	04/08/72	
North Dakota	07/02/72	09/30/72		June						
				July	North Dakota	07/02/72	09/30/72			

* Indicates minimum 13-week on, actual trigger off criteria were not earlier.

1/ Trigger on delayed by mandatory 13-week off.

2/ Actual trigger on would have occurred due to 13-week mandatory off period under hypothetical conditions.

3/ Assumes extended benefit program became effective in all states January 1969. Trigger "on" and "off" dates by national or state indicators

4/ Hypothetical trigger off date excludes undetermined effect of not including extended benefit claims in the computation which would tend to delay trigger "off" date.

5/ States may not have triggered off prior to the beginning of the National extended benefit period had extended benefit workload been included in trigger calculations.

6/ Trigger on due to Nation trigger. The delayed start was due to the fact that enabling legislation was not on the books until this date.

Source: Utah Department of Employment Security, Minutes of Ad Hoc Committee on E. B. Trigger, 1971 and Trigger Notice, OIS, MA, and DOL.

Mr. CORMAN. I am afraid my 5 minutes are nearly up, but I did want to ask something about the 120/115. I think I understand how it works. The trouble is if you had high unemployment last year as compared to the other States, it has to be even higher next year before you get in.

What is the rationale for insisting that in addition to a fixed percentage of unemployment you have to be worse off than you were before?

Mr. HARDING. Because the difference in States is so tremendous, there are many, many States that reach the 4 percent unemployment level which is very normal for them. The two States of Virginia and Texas have unemployment in the neighborhood of 1, 2 to 3 percent. States like Utah, Montana, North Dakota or South Dakota, have averages in the neighborhood of 4 to 6 percent.

We have tremendous seasonality in the northern tier States of this Nation. The reason I recommended changing from 120 to 115 percent is, after examining the record we find as far as triggering on it makes very little difference because as employment begins to increase you have reached the 115 percent and will soon reach the 120 percent.

Making it 115 percent will trigger in the States maybe 1 week or 2 or 3 earlier which we think is good, but the problem is that on the triggering out the 120 percent has not been met and the 115 percent would be a better figure on the phasing out of the benefit payments period.

The real substantive recommendation, I think, that we are making is that you establish a ceiling and whenever that ceiling exists regardless of the 115 or 120 percent factor the State at its option would invoke extended benefit payments. This would complete the formula. I think this is the missing part of it.

We would have, as I indicated, a situation where you could and would mandatorily trigger in when you go to 4 and 115 percent, you would trigger off if you went below that, but if you stayed at or above 6 percent, you could continue to pay extended benefits.

This is an additional provision of the formula which we believe is needed to improve it, a floor and a ceiling.

Mr. CORMAN. I understand a little better. I would have to check the chart to be sure you have taken care of Utah at 115 and not California.

Mr. HARDING. California is one of those States wherein you are hurt because you mandatorily trigger out for 13 weeks. If you look at your record you will see that you had a continuous period of high unemployment, you triggered out for a couple of weeks and could not come back in again. Except for the emergency law that was passed, you would not have been able to get Federal assistance. I am sure you are aware of that.

Mr. CORMAN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Archer.

Mr. ARCHER. Mr. Rothell, I personally want to join with my colleague, Mr. Burleson, in welcoming you to the committee. I compliment you on the work that you have done in this field over the years. We know from your testimony that there are 4 or 5 States that have already met the requirements of 66⅔ percent, and there are some 12 States that have established a weekly benefit of about 60 percent.

In addition, there are 25 States that have increased their maximum so that they pay from 50 to 59 percent. Can you explain to me why those States who have not reached the 66⅔ percent maximum have failed to achieve this recommended goal?

Mr. ROTHELL. I think there are several reasons probably, Mr. Archer. As you know, the States have had their financial taxing problems as well as the national Government. The Agencies have urged them to move their weekly benefits amounts, urged the legislative bodies to move them up to a fair and equitable amount. I am not sure what the problem is in every State, but I imagine it is about like it is in my State.

You have to get the Senate and House to agree on a bill. There is quite a difference in opinion as to how much benefits should be paid and how fast you can raise them, but the real problem is how to finance them. I think everyone agrees that an unemployed worker should get a fair share of his wage when he is unemployed. The 50 percent of the average weekly wage is not an undesirable figure. But I think the States, if we could encourage all of the States to raise their maximum weekly benefit amount to the recommended 66⅔ percent and at the same time handle their funding levels, be certain that they don't endanger the trust funds, you have a much better system than you do if you set only a maximum figure for the payment of benefits, but have nothing in the law with respect to the funding of those benefits.

Certainly the State legislatures are the ones best qualified, I think, in the States, to determine what the taxing level should be in that State.

Mr. ARCHER. Are you basically opposed to Federal standards per se or are you opposed to the percent that is in this bill?

Mr. ROTHELL. I am not opposed to the percentage. I think the States, the 66⅔ figure I would like to see all the States at that figure. I would think that we have a better program if it is a State program because if the State sets it up, then the people in the State are going to be, I think, more willing to try to administer the program. They will be more satisfied with the program and it will be a program that will be a sounder program in that the benefit provisions and the taxing provisions will correspond.

There will be a sufficient raising of money to pay for the benefits that are provided. Right now we have three States that are borrowing money. Their trust funds are totally depleted. One of them raised its weekly benefit amount since 1969 by 93 percent. It still pays only 50 percent of the average weekly wage in that State.

To raise that State to 66⅔ when it is already out of money and borrowing money would be an additional financial burden so they need a little time to try to resolve their funding problems as well as their benefit problems.

We have two other States that are borrowing money. They also pay very high benefits and apparently did not see these recessions that we have with respect to the energy crisis, the shutdown of the war and closedown of our space effort. So it is a problem that a State agency has to continually improve.

I think it would be a far better program if we continue it as a federally guideline program, but not a Federal standardized program

Mr. ARCHER. You are opposed to mandatory Federal standards?

Mr. ROTHELL. This is true.

Mr. ARCHER. Yet you support a Federal standard for benefits in a labor dispute. I wonder if you could explain to the committee the apparent difference in position.

Mr. ROTHELL. I think I can, Mr. Archer. The States feel very strongly, and I think even the two that pay benefits to strikers, these two agencies feel that they should not. But the legislative bodies make that decision. These other 48 States do not pay benefits to strikers and they feel that this is something that should not be done.

We, by regulation of the Secretary, cannot refer workers to a struck employer and I think rightly so. But neither should we pay benefits to the striking workers because if we do, we are not being neutral in the labor dispute.

I think this program should be neutral in the labor dispute and neither pay the strikers or refer workers to the struck employer. I think we feel so strongly that strikers should not get benefits that this is a reason why a majority of the States voted to support this provision even though it is a Federal standard. This is the first time over the years the conference has ever taken this position and it was just by a bare majority if you will notice by the vote.

I think most of the States that voted against supporting this provision did not want a Federal standard, but we did have a majority of the States that felt like we should not pay unemployment benefits to people on strike.

Mr. ARCHER. Is it your opinion that this bill would make it necessnecessary that benefits be paid to employees of a plant where there has been a lockout?

Mr. ROTHELL. I am not sure just how we will define a striker. It is pretty hard for me to say that a striker will be an individual who is locked out. As you know, in many labor disputes when a contract cannot be agreed to there is a situation where the individuals will report for work a day or 2 and then lay off. Finally the employer shuts the plant down and locks out the workers until they can get a contract.

As this provision is written, I am not sure that people locked out would be denied benefits. It is left up to a definition in the State law of who is a striker. I am not sure you can define a striker as an individual who is locked out.

I would hope that if this provision is left in that amendment be made to clearly point out whether this committee feels this should be extended to individuals locked out by employers or only those on strike.

Mr. ARCHER. In general, what is your feeling with respect to the provisions in this legislation as it regards labor disputes? Do you feel that these provisions would cause more problems than they will correct so far as labor disputes are concerned?

Mr. ROTHELL. I really do, Congressman. Right now, 48 States deny benefits to individuals on strike, those who are participating in strikes, financing the strike or those directly interested in the strike. These would be individuals who would receive the same benefits as the strikers.

I think all the 48 States will have to change their laws. Certainly they will have to have a definition of a striker and the innocent bystander.

I am concerned that this particular provision would cause a great deal of revision of all the other State laws, particularly when many court decisions have been rendered with respect to the labor dispute provision currently in the law. So we will start all over in the courts on labor dispute provisions. This is a very sensitive area.

I am quite concerned about any provision in the bill with respect to labor disputes.

Mr. ARCHER. You have expressed some concern about the provisions with respect to agricultural workers, but you would support agricultural worker coverage provided that the provision relating to crew leaders and labor contractors be amended to make those crew leaders and labor contractors employers as they are in fact in most instances independent contractors in effect with the farm operators.

Can you explain to me why you feel this amendment is necessary?

Mr. ROTHELL. Yes, sir, I can. In our State and in many of the other States, the small farmer who has a small irrigated area primarily raising vegetables and produce, deals strictly with the crew leader. He doesn't even know the name or the number of the people in the crew. The crew leader will agree to do the planting of the tomates, the onion slips, or whatever they have for a certain amount of money.

The farmer doesn't know how much money he is going to pay the members of the crew. He doesn't know their names or social security numbers. These small farmers are not going to know until the end of the year whether they come under the coverage of this act. They would not know whether they have 20 weeks of work or pay $5,000 until the end of the year when they get through the harvesting season.

So, it seems to me we will require the small farmer to do a lot of recordkeeping and bookkeeping when he will not know until the end of the year whether or not he is brought under this act.

In addition, he will have to get the names and social security numbers of these people now which he is not responsible for now. In addition, if the crew leader is not the employer you will find many small employees not subject to the law and the wages for which the workers work on his farm will not be covered wages. So the workers in these crews are going to lose a substantial part of their wages if the work they did as a member of the crew was for a small farmer who did not become subject to the law.

If the crew leader is an independent contractor he should be the employer. The problem is how to keep up with the crew leader. It has some real problems, but I think it would be a much better provision to make the crew leader the employer rather than the small farmer.

Mr. ARCHER. You are saying the crew leader is in fact an independent contractor and this law should recognize that.

Mr. ROTHELL. In many instances, yes, sir, this is true.

Mr. ARCHER. Do you feel that agricultural workers should have the benefit of unemployment compensation?

Mr. ROTHELL. Very definitely. I think they are entitled to the protection just like any other worker. Many of them have a more difficult time trying to make ends meet than do the industrial workers.

Mr. ARCHER. Are there any major administrative problems with respect to covering agricultural workers?

Mr. ROTHELL. Yes, sir; there are. The crew leaders move from farm to farm and State to State. We send these crews from Texas to 26 States. Now if we do cover farmworkers under this combined claim that we have, it will be the responsibility of Texas to obtain these wage records from all these various States in order to pay benefits. When the season is over they return to the Rio Grande Valley. It will be our responsibility to get these wage records from all the States, but we will be able to handle this problem.

Mr. ARCHER. Thank you, Mr. Rothell.

The CHAIRMAN. Mr. Karth will inquire.

Mr. KARTH. Thank you. You have made quite a point of stating your position of not paying unemployment benefits to strikers, both in your prepared text and oral testimony. I notice on page 3 you state that there are those States who represent 45.7 percent of the covered employer and 44½ percent of the covered workers in favor of the provision which would deny the payment of unemployment benefits to strikers.

Conversely, does that mean that, insofar as this bill is concerned, States representing 54.3 percent of the covered employers and 55.5 percent of the covered workers do not favor the provision? Is that what you are saying?

Mr. ROTHELL. Not necessarily, Congressman. The poll that we took, we had those who were for it and those who were opposed and those who abstained and those who didn't vote. We actually had 27 States representing these figures that you have given, employers and workers, that voted to support this provision.

We have 53 jurisdictions, so this is a majority. But we had 17 States that did not support it. We had seven States who did not vote either way. They were concerned about supporting a Federal standard when they were opposed to it, so they did not vote. One State did not vote either way. We did not hear from them.

Mr. KARTH. But at least those seven that abstained did not vote in favor of this provision.

Mr. ROTHELL. That is true.

Mr. KARTH. So theoretically, it could be a fact that a majority of those did oppose the provision since the question was put to them in that positive sense.

Let me ask you this question on neutrality: I appreciate the viewpoint that you are expressing, but the fact of the matter is that if we did what you suggest and if we did what this bill provides, that wouldn't necessarily provide neutrality because during periods of strike the Federal Government does not, for example, say to an employer that you must discontinue depreciating your plant and facility and property under the income tax law. Nor does it say if you suffer a loss during that year as a result of prolonged strike, that you cannot carry that loss forward and deduct it from your next year's income.

So you see there are some provisions of the Federal law that do not obviously provide for neutrality or would not if your position on this matter became a matter of law. Those are two instances that come to my mind immediately. There may be more.

Are you suggesting to this committee that to provide complete neutrality we take a look at all these benefits that otherwise might accrue to both the employer and the employee and make sure all such references are stricken from the law?

Mr. ROTHELL. No, sir, I was not suggesting that. I am talking about the unemployment insurance program. We are concerned with either the paying of benefits to an individual or getting him a job if we have the job available for him.

I am speaking only with respect to this particular program. I realize that there may be some phases——

Mr. KARTH. I thought you were speaking to the point of complete neutrality.

Mr. ROTHELL. Neutrality in this program. You see we have a regulation. We cannot refer workers to a plant that is on strike. We do not send anybody out to that plant where there is a strike. We also feel that if we cannot serve the employer, we should not serve the striker.

Mr. KARTH. The neutrality from the standpoint of the Federal law, it seems to me, would require a complete handsoff policy for both the employee and employer in the event of a strike.

It seems to me that these unemployement compensation benefits really accrue to the striking worker's family to keep milk and potatoes on the table, so to speak for those who really had no say in what happened. They didn't really have a vote in the strike, and it may be that the individual himself voted against it, for that matter.

How do you relate that, for instance, to a felon, a man who robs a bank? His family is not denied unemployment compensation benefits. Do you think it is more fair that the family of a felon should get unemployment compensation benefits when he has committed a crime against society than employee who is on strike through no fault of his own?

Mr. ROTHELL. It may be that you are mixing apples and oranges. The fellow in prison does not draw any unemployment benefits.

Mr. KARTH. But doesn't his family get it?

Mr. ROTHELL. The family only gets it if they work for an employer. They get it if they are entitled to it. He has nothing to do with their right to benefit. The family doesn't draw based on the wage earner's wages, only that individual who worked can draw unemployment benefits.

Mr. KARTH. And in the case of a felon, if he were the only member of a family who worked and is committeed to an institution, his family under those circumstances would not get unemployment compensation, is that true?

Mr. ROTHELL. Yes. He must be available for work. If he is in prison, he cannot draw any unemployment benefits. If he is out and able to work and available to work and can prove it, then he can draw benefits.

Mr. KARTH. What if he is committed for a short period of time, then get out, can't find another job because of his record, then is he eligible?

Mr. ROTHELL. It depends on whether the felony he committeed was against his employer.

Mr. KARTH. Say it is not a felony. Say he is not ever put in jail. What if he is on probation?

Mr. ROTHELL. Being on probation would not deny him benefits if he qualified otherwise.

Mr. KARTH. Do you think it is more fair for the individual to draw unemployment compensation benefits under those circumstances than it would be for a striker?

Mr. ROTHELL. In my opinion, it would, yes.

Mr. KARTH. Thank you.

The CHAIRMAN. Any further questions?

Again we thank you gentlemen for appearing before the committee. We also thank you for responding to our questions.

Our next witness is Mr. John Wesley White, director of the Division of Employment Security of the Florida Department of Commerce.

STATEMENT OF JOHN WESLEY WHITE, DIRECTOR, DIVISION OF EMPLOYMENT SECURITY, FLORIDA DEPARTMENT OF COMMERCE

The CHAIRMAN. We are glad to have you with us, Mr. White.

Mr. WHITE. I imagine my views will represent a minority from the point of view of the Interstate Conference of Employment Security Agencies.

Mr. Chairman, members of the committee. I appreciate the opportunity to express the views of the State of Florida and our Governor, Reubin O'D. Askew. I am only going to address myself to two provisions of H.R. 8600, those dealing with benefit standards and with coverage of agricultural workers.

It is important to state at the outset that the history of the unemployment insurance program has been characterized by Federal leadership. The program was born of the national economic crises of the 1930's and has served our country well in the more than 35 years of the program's life. Congress—then and since—recognized the need to buffer national economic variations with a number of programs designed to provide national economic stability. Unemployment insurance was but one of those programs designed and implemented by Congress.

Through the years, Congress has found it necessary to update and improve all of these important programs, including unemployment insurance, in order to secure greater economic stability and to extend additional protection to our citizens. We feel that the time has come again to reexamine the adequacy of unemployment insurance and for Congress to take appropriate action to bring the program into line with today's needs.

Many persons will tell you that it is the prerogative of the States to make changes relating to unemployment insurance benefits and coverage. True enough, the States have a right to adopt programs which better protect their residents than does the national program. In the concerns addressed by this legislation a few States have, indeed, already met the standards contemplated thereby. But this does not remove the responsibility for Congress to formulate national policy with regard to the fundamental aspects of the program.

We submit that standards for benefit levels and mandatory coverage of a truly national and very mobile segment of our work force are matters of important national policy which Congress has a serious responsibility to address.

In Florida, Governor Askew has, for several years, recommended the adoption of a formula for benefits similar to that contained in H.R. 8600. He has also recommended coverage of agricultural workers. These proposals were opposed by affected industry representatives for reasons which I will share with you in a moment.

Unfortunately, our legislature possesses neither the time nor the familiarity with this program which one finds in Congress, necessary to understand and advocate an unemployment insurance program which is, at once, responsive to the needs of our citizens and yet responsive to the need to interrelate one program with those of all other States.

In Florida, Governor Askew's proposals relating to unemployment insurance have not yet been accepted by the legislature.

With regard to benefit levels, our recommendation that the maximum benefit amount be set at two-thirds of the statewide average weekly wage was met with resistance. Part of this resistance was caused by the fact that, when our recommendation was first made, right after Governor Askew took office, our maximum benefit amount was less than 30 percent of the statewide average weekly wage. Since then, through Governor Askew's leadership, the benefit amount was gradually risen. Even now, however, the maximum benefit amount in Florida is less than 45 percent of the average weekly wage.

Obviously, when you are that far down, it is difficult to move all the way up, even to what we consider to be the fair and reasonable standard.

At the present time, Florida's maximum benefit amount ranks 44th out of the 50 States. Our average tax rate ranks 49th. It isn't difficult to see why one encounters opposition to a change in benefits. However, our studies indicate that the passage of H.R. 8600, which would greatly assist our unemployed workers and would provide increased economic stability for our State, would still leave us in the enviable position of having an average tax rate ranking in the bottom 10 States of the country. I would assume that other States could also endure the cost impact of this legislation.

The important thing, though, about benefit amounts, is the impact which they have on unemployed persons and the extent to which they provide stability to the economy through maintenance of a level of purchasing power of unemployed persons. There is no doubt that H.R. 8600 addresses these needs much more responsively than does present Federal law.

In Florida, passage of this legislation would increase by 25 percent the number of persons receiving benefits of one-half of their average weekly wage and, under present economic conditions, would increase the purchasing power of unemployed persons by more than 10 percent. The benefit to the people and economy of our State is obvious. We urge your support of the Federal benefit standards contained in H.R. 8600.

We have also recommended unemployment insurance coverage of agricultural workers. Agriculture is a major industry in Florida and

employs a significant portion of our work force. Many agribusiness employees already are covered by our State's unemployment insurance law. But the lowest paid and most economically insecure group—the farmworker—is excluded from this protection as he or she is from most other laws meant to protect working people.

Governor Askew has long recognized that this travesty should no longer continue. Our recommendations to the legislature, however, have failed because agricultural interests have opposed our efforts; not, they claim, because they are opposed to coverage, but because it is a "Federal problem."

Indeed, interstate movement of agricultural workers does appear to be more significant than in most nonagricultural industries. No doubt, coverage in all States will provide better protection for more persons. Unquestionably, a single State with a fairly long growing season and a favorable year-round climate which provided unemployment insurance for farmworkers might become a permanent haven for large numbers of periodically unemployed persons.

We do not believe that these are valid reasons for the States individually not to act, but we strongly believe that they are very persuasive reasons why the Congress must act. More than in any other area, we urge your favorable consideration of the provisions to provide nationwide coverage to a group of workers whose members each may, in a single year, work in five or six or more States.

In summary, Mr. Chairman, we respectfully urge that this important committee of Congress address itself to the substantive issues of significance to our citizens. We ask that your concern for the problems of people not be distracted by arguments of States' rights or a Federal-State partnership in employment security. In our administrative dealings with the U.S. Department of Labor, we have seen that this partnership is largely mythical. We urge that the Congress take positive action to provide these much needed improvements to our national unemployment insurance program.

Mr. Chairman, this concludes our main points. We have no strong position on the other provisions of this legislation. We do believe that it is important that Congress take favorable action on at least sections 2 and 4 of H.R. 8600.

The CHAIRMAN. Thank you, Mr. White.

Are there any questions?

Mr. Waggonner.

Mr. WAGGONNER. Mr. White, having heard the testimony of the interstate conference representative just prior to your appearance, I am aware that you, in your prepared statement, spoke only to two points. But does Florida have a position with regard to strikers?

Mr. WHITE. We have no strong position on that. Our law presently prohibits, as would this law, I think. Our position would be that if Congress feels that this is fundamental to the program that it would have no substantive impact in Florida.

Our position with regard to Federal standards is that Congress has a role, an appropriate role in prescribing standards when it relates to the fundamental aspects of the program and this would be for Congress to decide.

We have no strong position on that particular provision.

Mr. WAGGONNER. I wonder how it became Florida law then if you don't have a position?

Mr. WHITE. Sir, the public policy of Florida is that unemployment benefits will not be paid to workers. That is certainly the policy to which we subscribe. The policy of whether or not that ought to be mandated by Federal law is a provision we have no strong position on. Our provision will stand whether Congress acts or not on that particular one. In other words, we already prohibit payment of benefits to strikers in the absence of a congressional mandate to do so.

If Congress acts to prohibit benefits to strikers, it would be consistent with the present position we have.

Mr. WAGGONNER. How could your law stand, Mr. White, if Congress through Federal standards acts to allow benefits for strikers?

Mr. WHITE. Well, I think present Federal law does, Mr. Congressman, allow benefits to be paid to strikers if a State law allows it. Forty-eight States do not allow it and two States do.

Mr. WAGGONNER. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

If not, again, Mr. White, we thank you for coming before the committee.

Our next witness is Mr. Bert Seidman taking the place of Mr. Andrew Biemiller of the American Federation of Labor and Congress of Industrial Organizations.

You are recognized, Mr. Seidman.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL–CIO; ACCOMPANIED BY JAMES O'BRIEN, ASSISTANT DIRECTOR, SOCIAL SECURITY DEPARTMENT, AND CLINTON M. FAIR, LEGISLATIVE DEPARTMENT

Mr. SEIDMAN. Thank you very much, Mr. Chairman. Mr. Biemiller was unable to be here this morning and I will be taking his place. I have met with Mr. Clinton Fair, who is a member of the Legislative Department of the AFL–CIO and Mr. James O'Brien who is assistant director of the Social Security Department of the AFL–CIO.

Mr. Chairman, we have a detailed statement. We would like to have that included in the record of this hearing. I will present a brief summary statement.

The CHAIRMAN. Without objection that detailed statement will be included at the conclusion of your statement, Mr. Seidman.

Mr. SEIDMAN. Thank you.

Mr. Chairman and members of the committee, we appreciate this opportunity to present the views of the American Federation of Labor and Congress of Industrial Organizations (AFL–CIO) concerning H.R. 8600.

The AFL–CIO has repeatedly urged the administration and Congress, during the past 4 years, to modernize the Nation's unemployment compensation system.

On July 8, 1969, President Nixon said he was giving the States 2 years to bring their systems up to a minimum standard or face a statutory national standard. Two years later, on July 8, 1971, AFL–CIO President George Meany urged the President to forward to Congress

legislation designed to implement his own recommendations. The President didn't get around to sending his proposals to Congress until May 1973—2 years later—2 years of high-level unemployment during which the administration's failure to act robbed millions of jobless workers of decent unemployment insurance protection.

At that time, the AFL–CIO described the administration's proposals as "just not good enough." We also said, "The two redeeming features in the proposals—establishment of minimum weekly benefit standards and extension of coverage to farmworkers—were heavily outweighed by numerous and glaring deficiencies."

Mr. Chairman, those proposals, which are now contained in H.R. 8600, are still not good enough. In fact, the administration's bill is grossly inadequate and will not meet either the needs of jobless workers or of the economy which can be seriously undermined by widespread unemployment.

In fact, we think the Secretary of Labor ought to be ashamed to have his name and reputation attached to this measure.

While H.R. 8600 contains some provisions we could support, it has so many serious defects we think the committee would be well advised to scrap it and start over again. For example, the AFL–CIO favors enactment of a Federal standard for weekly benefit amounts, but one far better than proposed in H.R. 8600. And, of course, unless this standard is combined with qualifying and duration requirements, which must go hand-in-hand with raising benefit levels, it would be almost valueless.

The AFL–CIO has, in the past, urged Congress to extend unemployment compensation protection to farmworkers, and we hope you will do so at this time. But coverage should be extended to all farmworkers. The limited extension of farmworkers coverage in H.R. 8600 fails to go far enough.

We are appalled that the administration would still deny unemployment insurance protection to the millions of public employees and domestic workers. We urge the committee to extend coverage to all public employees and domestic workers.

The AFL-CIO adamantly opposes requiring the States to deny unemployment compensation benefits to individuals unemployed due to a labor dispute. The proposal ignores the problems of equity related to unemployment resulting from labor disputes. In addition, it would place government—both Federal and State—on the side of the employer in every claim for unemployment compensation related to a labor dispute. The imposition of such an unjust requirement upon the States is completely indefensible. We urge the committee to reject it.

BENEFIT AMOUNT STANDARD

Organized labor. for many years, has urged enactment of a minimum Federal standard to provide jobless individuals an adequate weekly wage replacement with an upper limit in each State equal to at least 66⅔ percent of the State average weekly wage. We have insisted that along with the weekly amount standard, there must also be qualifying and duration standards.

All three of these standards are essential and intertwined. Yet two of these indispensable elements—those relating to qualification and

duration—are ignored in the administration's proposals, and the proposed individual wage replacement benefit is inadequate.

What do jobless workers do when they cannot subsist on a 50 percent, or less, weekly wage replacement benefit? They use up their savings. They borrow money. They move to less costly housing or move in with parents or relatives. They sell what they can. They seek help from friends. Some of them, if they can bring themselves to it and many cannot, will ask for help from public or private welfare or assistance agencies.

In short, they are forced to do the very things that the unemployment compensation program is supposed to prevent. An individual wage replacement benefit of one-half prior weekly earnings is a carryover from a long past era. It fails to meet the needs of jobless workers in today's economy.

Individual benefits of at least 66⅔ percent of weekly wage loss are needed to cover nondeferrable living expenses and maintain normal family living standards. New Jersey has for many years provided an individual wage replacement benefit equal to 66⅔ percent of former wages, and it is time the other States be required to meet this level of benefit adequacy. An income reduction of more than 33⅓ percent is far too great a burden to place on jobless workers in this Nation who are unemployed through no fault of their own.

STATE MAXIMUM WEEKLY BENEFIT AMOUNTS

In most States, maximum weekly benefits are far too low. They should be substantially increased and then kept up-to-date. The maximum weekly benefit payable under the majority of State programs—in fact, in 36 States—is below the poverty level of income. The Department of Labor poverty income level for a nonfarm, four-member family, released August 8, 1973, is $4,300. This is equivalent to $82.69 weekly. In 36 States, at this time, every jobless worker, regardless of former earnings, is denied a basic weekly benefit even equal to that poverty level.

Even in those States that provide a maximum weekly benefit above the poverty level, the benefit available to many jobless workers is still inadequate. The relationship of the weekly benefit amount to wages has disappeared from the program for a majority of workers.

One-half or more of the eligible claimants qualify for the maximum weekly benefit in 27 States, and in a few States more than 75 percent of jobless claimants qualify for the maximum benefit. The deterioration of the system from a wage-related income maintenance program to a flat benefit scheme—a majority of workers receiving identical benefit amounts—is directly attributable to the failure of the State legislature to modernize the benefit structure of the program despite the repeated urging of recent administrations and organized labor.

As I noted earlier, this administration, on July 8, 1969, called upon the States to improve the benefit structure or face Federal action. The response, after approximately a 5-year grace period, demonstrates the complete futility of reliance on voluntary State action. Only eight jurisdictions—Arkansas, Hawaii, North Carolina, South Carolina,

Utah, West Virginia, Wisconsin, and the District of Columbia—responded.

We strongly urge raising both the State maximum benefit and the individual weekly benefit formula to the 66⅔ percent level. Only in that manner will unemployed workers and their families have adequate protection of their living standards.

QUALIFYING REQUIREMENTS

The consequences of enacting weekly benefit amount standards without qualifying and duration standards would be disastrous. The impact would hit hardest those who depend on unemployment insurance the most—low-wage and irregularly employed workers and jobless workers who have the most difficult time getting new employment.

In far too many States, existing qualifying requirements prevent 25 to 30 percent of new claimants from establishing eligibility while in other States routinely only 10 percent or even less of new claimants are unable to establish eligibility. A minimum Federal standard that would permit any worker with 20 weeks of work, or its equivalent, to qualify for benefit entitlement should be a part of any bill reported by the committee.

DURATION PROVISIONS

A standard on benefit duration is also essential to modernization of the program. The maximum regular benefit duration period under State programs varies from a low of 20 weeks in Puerto Rico to a high of 36 weeks in Utah. The maximum duration period in the majority of State programs is 26 weeks. It would be a mistake, however, to assume the majority of jobless workers qualify for 26 weeks of benefits. In some States, the average potential duration of benefits is as low as 18 or 19 weeks; while in others, average potential duration is as high as 30 weeks.

The AFL–CIO urges this committee to provide a minimum Federal standard of 26 weeks of unemployment compensation protection. Such potential benefit duration should be available to every worker with attachment to the labor force of at least 20 weeks of work, or the equivalent, and who is actively seeking work. This standard is vital if the present abuses in State laws are to be corrected.

EXTENDED BENEFIT PROGRAM

A major area of unemployment compensation in need of immediate attention by Congress is the extended benefit program for the long-term unemployed. This program has failed every test at both the State and national level.

Each extended benefit program has been such a failure, that Congress has, on six separate occasions since 1970, enacted special extended unemployment compensation legislation. Each time special extended benefit legislation was enacted, the purpose was to patch up the existing program. Every time it failed to do the job.

The trigger approach to the problems of long-term unemployment makes no sense. A worker who is the victim of long-term unemploy-

ment needs income protection whenever he is jobless and regardless of the level of State or national unemployment. The proposal to add another triggered extended benefit program related to unemployment levels in selected labor market areas will also fail to solve the problem of adequate protection for long-term unemployed.

The Executive Council of the AFL–CIO, at its February meeting, called for changes in the extended unemployment compensation program and urged Congress to:

Abolish the triggered extended unemployment compensation program and replace it with a 100 percent federally financed extended unemployment compensation benefit program. It should entitle every jobless worker to an additional 26-week Federal benefit period when his regular State benefits are exhausted. Extended benefits should be coordinated with a comprehensive program of job counseling, training, retraining, upgrading of skills, rehabilitation services if needed, relocation assistance, and job placement.

Mr. Chairman, the AFL–CIO cannot emphasize too strongly the need for immediate, substantive modernization of the unemployment compensation system.

Workers and their families have suffered too much and too long to brook further delay. The merchants in even the smallest towns that are hard hit by mass local unemployment—no matter how rosy the national picture may be—need help now and guarantees for the future. The economic system which depends upon mass purchasing power needs protection against sudden, shattering unemployment, no matter what the cause—monetary and fiscal policies, technological changes, energy adjustments—any cause.

So, the AFL–CIO urges you to reject H.R. 8600 and to report an entirely new bill, incorporating the suggestions we have made, to modernize unemployment compensation in order that it can meet the needs of the 1970's.

[The statement previously referred to follows:]

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, and members of the Committee, we appreciate this opportunity to present the views of the American Federation of Labor and Congress of Industrial Organizations (AFL–CIO) concerning H.R. 8600. The other unemployment compensation proposals before the Committee relate to specific problems in the current program, such as agricultural coverage or long-term unemployment, and these issues will be discussed in our statement without reference to each specific bill.

The Job Security Assistance Act of 1974—H.R. 8600—contains some provisions we are glad to support. The AFL–CIO has, in the past, urged Congress to extend unemployment compensation protection to farm workers, and we hope you will do so at this time. Organized labor favors enactment of a federal standard for weekly benefit amounts, and we urge favorable consideration of this provision in H.R. 8600, but we think it should be improved.

However, we are opposed to the provision in H.R. 8600 which would require the states to deny unemployment compensation benefits to strikers. In addition, we regard, as a major defect, in this bill the failure to include provisions to remedy existing serious problems in the program.

These problems relate to the lack of qualifying standards, the lack of duration standards, and the obvious inefficiency of the extended benefit program for the long-term unemployed. If unemployment insurance is ever to be the nation's first line of defense against recession and poverty, it must be regarded as a national responsibility requiring federal action on every important phase of the program.

Since enactment, in August, 1970, of the Employment Security Amendments of 1970, the unemployment rate in this nation has equaled or exceeded 4.5 percent every month (Table I). In fact, the unemployment rate during much of this period has been hovering close to 6.0 percent. The average number of workers reported as unemployed each month during this period ranged between 4 million and 5 million (Table II). In absolute numbers, rather than monthly averages or percentages, these figures represent an average annual toll of more than 15 million workers who were jobless at some time during the year (Table B–17, p. 186—1973 Manpower Report of the President).

This unemployment stems from a number of courses, including the movement of industry from one area of the country to another, the movement of industry from this country to foreign nations, the rapid application of technology in industry, production cut-backs due to defense policies, and job losses due to trade policies, environmental problems, and more recently energy shortages. All of these forces have created problems of job adjustment for working people and their families. The most serious adjustment that must be made by many workers is the loss of their job. Unemployment compensation was intended to assist in this adjustment process.

The objectives of unemployment compensation at the time the program was established included the protection of jobless workers' living standards, job skills, and wage rates. In addition, the objectives included preservation of an employer's workforce, maintenance of the community tax base, and furnishing a measure of economic stability for the community, state, and nation. However, the program has failed to meet these goals in recent years. Unfortunately, H.R. 8600 falls far short of what is needed to modernize the system to provide adequate protection of jobless workers. Organized labor favors a much broader approach to reform unemployment compensation to meet the needs of the 1970's and beyond.

BENEFIT AMOUNT STANDARD

This Committee, I am certain, is well aware of organized labor's long standing support for minimum federal benefit standards. For many years, we have urged enactment of a minimum federal standard to provide jobless individuals an adequate weekly wage replacement with an upper limit in each state equal to at least 66⅔ percent of the state average weekly wage. We have insisted that along with the weekly amount standard, there must also be qualifying and duration standards.

All three of these standards are essential. Yet two of these indispensable elements—those relating to qualification and duration—are ignored in the Administration's proposal, and the proposed individual wage replacement benefit is inadequate.

Unemployment compensation has become increasingly important to individuals, industries, and communities since the 1930's. An individual wage replacement benefit of one-half prior weekly earnings is a carry-over from a long past era, and it fails to meet the needs of today's economy.

The problems workers face trying to live in the 1970's with benefits appropriate to some by-gone era have been extensively surveyed and documented. What do jobless workers do when they cannot subsist on a 50 percent weekly wage replacement benefit? They use up their savings. They borrow money. They move to less costly housing or move in with parents or relatives. They sell what they can. They seek help from friends. Some of them, if they can bring themselves to it and many cannot, will ask for help from public or private welfare or assistance agencies. In short, they are forced to do the very things that the unemployment compensation program is supposed to prevent.

The individual weekly benefit amount should replace not less than 66⅔ percent of the worker's full-time weekly wage up to at least 66⅔ percent of the state average weekly wage. Individual benefits of at least 66⅔ percent of weekly wage loss are needed to cover non-deferrable living expenses and maintain normal family living standards. The state of New Jersey has for many years provided an individual wage replacement benefit equal to 66⅔ percent of former wages, and it is time the other states be required to meet this level of benefit adequacy. An income reduction of more than 33⅓ percent is far too great a burden to place on jobless workers in this nation who are unemployed through no fault of their own.

The benefit standard proposed in H.R. 8600 should be revised to permit the nation's unemployment compensation system to meet the economic hardships inflicted upon jobless workers and their families.

The W.E. Upjohn Institute for Employment Research, a non-profit organization concerned with causes and effects of unemployment, published a study in April, 1971 entitled "Income for the Unemployed—the Variety and Fragmentation of Programs." The study contains the following passage in its conclusions:

"The fragmentation of programs that provide income support for the unemployed causes differences between programs in terms of their purposes, benefit levels, coverage, eligibility conditions, etc., and thereby produces confusion and some inequities. Fragmentation also presents problems of duplication of benefits and of administrative coordination. The limitations of programs in their scope and coverage leave large numbers of the unemployed with no income support at all."

Mr. Chairman, the AFL–CIO is certain that unemployment, due to defense cut-backs, environmental problems, energy shortages, and other causes, will continue to stimulate well-meaning efforts to provide special unemployment compensation protection. The single most effective method for solving this problem would be enactment of a minimum federal benefit standard to provide individuals with a 66⅔ percent wage replacement benefit.

STATE MAXIMUM WEEKLY BENEFIT AMOUNTS

The existing benefit structure of the program should be completely revised. The maximum weekly benefit payable under the majority of state programs—36 states—is below the poverty level of income. The Department of Labor poverty income level for a nonfarm, four-member family, released August 8, 1973, is $4300. This is equivalent to $82.69 weekly.

In these 36 states, every jobless worker, regardless of his or her former weekly wage, cannot receive entitlement to a weekly basic benefit payment that will provide even a poverty level of income. Even in those states that provide a maximum weekly benefit above the poverty level the benefit available to many jobless workers is still inadequate. The relationship of the weekly benefit amount to wages has disappeared from the program for a majority of workers. One-half or more of the eligible claimants qualify for the maximum weekly benefit amount in 27 states, and in a few states more than 75 percent of jobless claimants qualify for the maximum benefit. The program has deteriorated so far from its original goal that it has become a flat benefit payment insurance scheme for a majority of covered workers (Table III). The deterioration of the system from a wage-related income maintenance program to a flat benefit payment scheme—a majority of workers receiving identical benefit amounts—is directly attributable to the failure of the State Legislatures to modernize the benefit structure of the program.

The record of this failure during the past four years is available to any interested observer. On July 8, 1969, in a Message to Congress on unemployment compensation, the President stated:

"If the program is to fulfill its role, it is essential that the benefit maximum be raised. A maximum of two-thirds of the average wage in the State would result in benefits of 50% in wages to at least 80% of insured workers . . . The overriding consideration is that the objective of adequate benefits be achieved. I call upon the States to act within the next two years to meet this goal, thereby averting the need for Federal action."

The response to this recommendation after approximately a five-year grace period for state action demonstrates reliance on voluntary state action in this matter has been almost completely without success. Only eight jurisdictions—Arkansas, Hawaii, North Carolina, South Carolina, Utah, West Virginia, Wisconsin, and the District of Columbia—responded to the President's recommendation. If this rate of response were continued, full compliance with the President's recommendation would not be achieved until some time during the first decade of the next century.

Organized labor is convinced that the state-by-state effort to modernize unemployment insurance on a piecemeal basis hasn't done the job in the past and it won't do it in the future. AFL–CIO State Bodies have for 30 years tried to improve the unemployment insurance system on a state-by-state basis. Despite some occasional successes, this frustrating activity has convinced them, as it has

convinced the entire AFL–CIO, that fundamental lasting improvements will come only through federal legislation.

H.R. 8600 would establish a minimum federal standard for the payment of weekly benefit amounts. Section 2 of the bill would require the states, as a condition for continued full tax credit for the state's employers, to provide eligible claimants a weekly benefit equal to one-half the worker's weekly wage. In addition, the state would be required to establish a maximum weekly benefit equal to at least 66⅔ percent of the statewide average weekly wage.

We strongly endorse raising the maximum benefit to the 66⅔ percent level. However, as we have emphasized earlier in this statement, we urge that the individual weekly benefit formula be increased to 66⅔ of former weekly wages up to the higher state maximum to provide a greater measure of protection of the living standards of unemployed workers and their families.

But improving the benefit standard, however essential, is not enough unless minimum standards for eligibility and duration are also established. We turn to these issues now.

QUALIFYING REQUIREMENTS

Mr. Chairman, all of us are aware that unemployment compensation benefits at any level—adequate or inadequate—are meaningless to jobless workers unless they can qualify for benefit entitlement. Organized labor also is aware, based upon experience at the state level, that if federal standards are enacted for weekly benefit amounts, State Legislatures will be subjected to overpowering employer pressure to tighten qualifying requirements and shorten benefit duration periods in order to offset the cost of improving the benefit structure.

The impact of such action will hit hardest those who depend on unemployment insurance the most—low-wage and irregularly employed workers and jobless workers who have the most difficult time getting new employment.

The consequences of enacting weekly benefit amount standards without eligibility and duration standards would be disastrous for the future of the entire program. In fact, even without federal benefit standards, we are fairly close to the disaster point in some states already. In far too many states, existing qualifying requirements prevent 25 to 30 percent of new claimants from establishing eligibility while in other states regularly only 10 percent or even less of new claimants are unable to establish eligibility.

A glance at the comparative table (Table IV attached) reflects the consistent record some states have established, in the last five years, of denying the protection of the program to between 25 and 30 percent of jobless claimants. The AFL–CIO is convinced a reasonable federal minimum qualifying standard is essential to the proper operation of the program.

The minimum weekly benefit in New Jersey is $10; to qualify for this benefit a worker is required to have earnings of $255 in the base period. Illinois and Wyoming, by contrast, require base period earnings of $800 for the same minimum weekly benefit.

The minimum weekly benefit in Arkansas of $15 requires base period earnings of $450. North Dakota and Vermont require 33⅓ percent greater earnings, or $600, to qualify for an identical benefit.

Pennsylvania and Washington have each established their minimum benefit at $17 weekly The required qualifying base period earnings in Pennsylvania are $440, but in Washington the required base period earnings are $1,200, almost 300 percent greater.

Other examples of the inequities in state qualifying requirements can be found in the attached Table V.

The AFL–CIO has urged, over a long period of time, that a federal standard for qualifying requirements and duration be established. Every claimant with 20 weeks of work, or the equivalent, should be entitled to a benefit duration period of 26 weeks, if it is needed. The states should be permitted to establish lower qualifying and duration standards, but these standards should be consistent with the federal standard requiring the state to provide every jobless worker with 20 weeks of work a potential benefit duration period of 26 weeks.

The disparities in state qualifying requirements are a direct result of employer pressures on state legislators to manipulate the program for their own selfish ends. However, these pressures are not confined to qualifying requirements; they reach every element of state programs, including duration periods.

DURATION PROVISIONS

A standard on benefit duration is also essential to modernization of the program. The maximum regular benefit duration period varies from a low of 20 weeks in Puerto Rico to a high of 36 weeks in Utah. The maximum duration period in the majority of state programs is 26 weeks. It would be a mistake, however, to assume the majority of jobless workers qualify for 26 weeks of benefits.

In some states, the average potential duration of benefits is as low as 28 or 19 weeks; while in others, average potential duration is as high as 30 weeks.

Any worker, who has worked for a reasonable period and is out of a job, is entitled to regular benefits for at least 26 weeks and extended benefits after that if he still can't find work.

A few states do provide uniform maximum duration periods for all jobless workers who qualify for benefits. In these states, every qualified worker is entitled to the same benefit duration period. The uniform duration varies from 20 weeks in Puerto Rico to 30 weeks in Pennsylvania.

The other uniform duration states provide a 26-week duration period:

Connecticut	New Hampshire
Hawaii	New York
Maryland	Vermont
Nevada	West Virginia

The majority of states have adopted variable duration benefit formulas. In these states, the maximum duration period for each worker is limited to a fraction of base period wages—wages earned in the year prior to lay-off.

The fraction of base period wages used to determine duration periods differs throughout the system. The most common fraction used is one-third. The table below, published in the Department of Labor "Comparison of State Unemployment Insurance Laws," reflects the differences in duration formulas between fractions or percentages of base period wages to limit maximum duration periods.

Duration fraction or percent of base period earnings

Percent or fraction	*Number of States*	*Percent or fraction*	*Number of States*
¾	1	36	1
⅗	1	⅓	19
½	1	3/10	1
⅖	1	27	1
47	1	¼	2

In a few states, the fraction or percent of former wages used to determine benefit duration is weighted; in other states, a fraction of weeks-of-work is used to establish duration—one week of benefits for two weeks of work—and in two states, duration is based upon the ratio of an individual's annual wages to high quarter wages.

The application of state qualifying requirements and duration formulas has resulted in state legislative abuses that need to be corrected. Year after year, in a selected group of states, more than 60 percent of jobless workers exhausting their benefit rights receive less than 20 weeks of benefits. During 1970 in the state of Idaho, 75.5 percent of workers exhausting benefit entitlement received less than 20 weeks of benefits. The following year, 69.4 percent of exhaustees received less than 20 weeks of compensation.

During 1970 under the Florida program, 68.7 percent of exhaustees received less than 20 weeks of benefits, and the next year, 65.1 percent of the exhaustees received less than 20 weeks of benefits. In Georgia for the same two years, 68.1 percent and 61.2 percent of the exhaustees were entitled to less than 20 weeks benefit duration. These abuses in response to employer pressures have been spreading, and they will continue to increase until Congress establishes minimum federal standards for qualifying requirements and benefit duration periods to which every state program must conform.

The AFL–CIO urges this Committee to include in any unemployment compensation legislation it approves a minimum federal standard that would assure every covered worker with 20 weeks of work, or the equivalent, 26 weeks of unemployment compensation protection. This standard is vital if the present state legislative abuses in this area of the program are to be corrected. The

states could, of course, establish other qualifying requirements for less labor force attachment and shorter duration periods, but these requirements should be consistent with the basic standard established by Congress.

DISQUALIFICATIONS

Another area of abuse that has been used to destroy the effectiveness of the program relates to disqualifications. Disqualifications account for the failure of more than 2.6 million workers to receive benefits in 1971, and 2.5 million workers failed to receive benefits in 1972 because of the imposition of harsh and unreasonable disqualifications.

The length to which employers and, unfortunately, some agency personnel will go to disqualify workers is difficult to justify. Experience-rated tax rates, of course, reinforce the employer's effort to avoid charges to his account for payments to workers he lays-off or dismisses. State agency personnel lack even this inequitable justification.

It is difficult to understand the reasons behind many of the reported disqualifications imposed. Jobless workers are often disqualified for wearing a beard. In other cases, workers who were discharged for refusing to cut their hair have been disqualified. In California, employers were surveyed on their attitude toward male job applicants who wore long hair or sideburns. Based upon this survey of employer attitudes, jobless workers were disqualified on the grounds they were not available for work. Equity in the administration of the program would seem to require, at the very least, a survey of worker attitudes on the same subjects. However, a worker survey of this nature has never been contemplated, much less utilized.

Job safety is often ignored by both employers and agency personnel in the imposition of disqualifications. A typical case was recently reported from West Virginia. The jobless worker was last employed in a mine. During the course of his day's work, he was ordered by the supervisor to burst open an electrical power cable carrying 440 volts. The worker was not an electrican and had no knowledge of electrical circuits and he refused to follow the instruction. The worker even cited the section of the Mine Safety Law that stated only persons authorized to work on electrical circuits containing high voltage qualified as electricans. The foreman, despite the law and the hazard involved, told the worker to do the job or quit. The worker quit and filed a claim for unemployment compensation.

The employer contested the claim on the grounds this worker was discharged for misconduct. The deputy examiner upheld the employer's challenge in this case.

An examiner in Maryland recently upheld an employer challenge to a claim by a young woman who after 4 years of work became engaged to a co-worker and married him. Following her marriage she was discharged. The employer challenged this claim on the grounds the worker had voluntarily quit without good cause. This decision was, of course, overturned, but only after the worker suffered the delays of the appeals process without weekly income protection to which she was entitled.

These examples reveal the extent to which thousands of jobless workers are harassed daily in their efforts to establish valid claims for unemployment compensation.

Organized labor has always accepted the proposition that public programs must be guided by rules and regulations, but the rules and regulations must be reasonable. Disqualifications in the unemployment compensation program should be remedial and not punitive. The existing practices in some states of imposing excessive disqualifications to reduce or minimize the cost of the program will only be corrected through the enactment of a minimum federal standard that requires the states to treat all jobless workers with equity in case a disqualification is imposed. The minimum standard should provide that a person able and available for suitable work should, if disqualified for any reason, have benefit payments postponed for no more than the average period of unemployment in the state but not in excess of six weeks under any circumstances. Jobless workers should not be penalized for economic conditions over which they have no control.

The reason for limiting the penalty to six weeks is that in a fairly good job market, six weeks is about the span of a normal period of unemployment. How-

ever, at any given time, there is no assurance a good labor market will prevail for individual workers. When the penalty for a disqualifying act is extended for a substantial period of weeks—and this is frequently the case—a jobless worker may be condemned to his entire period of unemployment without unemployment compensation.

In these cases, the greater part of the economic hardship is caused by the slackness of the labor market. This is the condition unemployment compensation was designed to prevent. Only by limiting disqualification periods to a maximum of six weeks can the penalty for a disqualifying act be applied equally.

A standard of this nature would allow the states ample leeway to impose disqualifications consistent with the seriousness of each case, and it would eliminate present abuses that completely strip jobless workers of their total earned right to unemployment compensation benefits.

LABOR DISPUTE DISQUALIFICATIONS

One of the most objectionable features of H.R. 8600 is the proposal to enact a federal standard that would prohibit the states from establishing or maintaining a fixed disqualification period relative to labor disputes. The AFL–CIO is opposed to the imposition of state disqualification provisions in these cases, and we certainly do not favor establishing a federal standard requiring the states to impose disqualifications.

The provision in H.R. 8600 would require the imposition of a labor dispute disqualification under every state program without regard to existing provisions related to this subject in the 50 existing laws. This provision is, in our opinion, directed at two states—New York and Rhode Island. It would force these two states to enact labor dispute provisions that the Legislatures and Courts in these two states consider to be detrimental to the best interest of their citizens. Employers in New York and Rhode Island have repeatedly placed this issue before their state legislatures. The labor dispute provisions in both state laws have been before the Courts. The existing provisions in both state programs have been found to meet the reasonable objectives of all interested parties in these states and a federal standard will only place the federal and state governments on the side of employers in every labor-management dispute in which an unemployment compensation claim is filed.

This provision ignores current employer practices, legislative definitions, court decisions, and National Labor Relations Board decisions involving labor disputes.

The bill is completely silent on the complex issues involved in this area. It requires a blanket disqualification without regard to the cause of the labor dispute. We can see no justification for such a provision at all, but certainly there is no justification for imposing disqualifications in labor dispute unemployment resulting from a lockout, a lay-off during negotiations, an employer violation of state or federal labor laws, the violations of an arbitration decision, or a labor dispute occurring at a location other than the worker's place of employment. Why should workers in New York, Rhode Island, or any other state be denied the protection of the program because a labor dispute exists in California?

Mr. Chairman, we are dissatisfied with the labor dispute disqualifications in the state laws, but we are willing to work at the state level to remedy the situation. The labor dispute disqualification in H.R. 8600 should be deleted from the bill. In our opinion, this proposal can only create serious problems for the entire program. We strongly urge the Committee to reject this proposal.

COVERAGE

H.R. 8600 would extend unemployment compensation coverage to some farm workers. The provision in H.R. 8600 to extend the protection of the program to an estimated 635,000 farm workers is long overdue, and it certainly has our support. However, organized labor views this as an extremely modest proposal, and we would like to see the bill amended to extend coverage to additional workers. The proposal should be revised to cover employment on farms employing one or more workers in 20 weeks in a year, or paying wages of $1,500 in a calendar quarter. Extending coverage in this fashion would furnish income protection to between 80 and 100 percent of all farm workers and furnish approximately one million workers employed as farm labor with a sense of job protection they have been denied for almost 40 years.

The AFL–CIO has, as a matter of long standing policy, urged extension of the program to farm workers. Extending coverage to farm workers would

benefit farm workers, employers, and agricultural communities. It would help stabilize the farm work force; it would reduce the labor turnover cost and recruitment cost. Farm workers, who now work in both covered and uncovered employment, would be more apt to remain in the farm work force, if their total employment was covered and used to determine eligibility for benefits. The farm worker would then be able to maintain his home and family without seeking demeaning public assistance, as he must now do, all too often.

Farm workers are entitled to the same legislative protection as other workers. Unemployment insurance is one form of this protection, and the extension of coverage to farm workers was one of the major recommendations in the *Report of the National Advisory Commission on Food and Fiber*. We urge your Committee to amend this bill to extend unemployment insurance protection to every farm worker in the nation.

But farm workers are not the only group denied unemployment insurance protection. There are an estimated 11 million workers in jobs that are uncovered by the existing unemployment compensation program. The 1973 *Manpower Report of the President* revealed that more than 1.3 million workers are employed as farm laborers or foremen, 1.4 million workers are employed as private household workers, and more than 10.6 million workers are employed by state and local governments. When these workers lose jobs, they are without any income protection. Yet the bill is silent as to the needs of domestic workers and public employees.

The 1970 Employment Security Amendments furnished coverage to some public employees—workers in state hospitals and state institutions of higher education—but it completely overlooked the needs of other state workers and millions of county and municipal workers and employees of other political jurisdictions. For example, maintenance workers employed by local school districts face the same risk of unemployment as maintenance workers in a state institution of higher education. Workers in city and county hospital suffer the same hardships, if unemployed, as workers in state hospitals. Similar comparisons could be made between workers in public and private employment relative to highway workers, sanitation workers, library workers, utility workers, and others. Unemployed public employees must feed, clothe, and house their families at all times and in the same manner as other workers. The landlord and the grocer cannot and do not suspend demands for payment simply because a jobless worker happens to be a public employee.

The Congress has recognized the devastating impact of unemployment on federal workers. It has acted as a responsible employer and an understanding legislative body by enacting legislation to provide unemployment compensation protection for federal workers. Workers employed by other political jusdisdictions deserve the same protection. This bill could be measurably improved by extending coverage to all public employees.

We urge Congress not to forget domestic workers who, though needing protection the most, are usually the last to be covered by labor and social legislation. Their need for unemployment compensation protection is, in many cases, greater than the need of other working people. We are certain that extending coverage to domestic workers in large households would present little difficulty at this time. A numerical or payroll standard could be utilized to extend coverage to some of these workers immediately. Further extensions of coverage could be made based on the results of studies the Secretary could be required to make under other provisions of this bill.

EXTENDED BENEFIT PROGRAM

A major area of unemployment compensation in need of immediate attention by the Congress is the existing extended benefit program for the long-term unemployed. This program has failed every test to which it has been exposed at both the state and national level. It depends upon complex and unresponsive trigger mechanisms related to unemployment levels which are supposed to make the program operative in individual states or throughout the nation.

This trigger approach to the problems of long-term unemployment is the most inefficient solution to the problem that could be adopted. The problems of long-term jobless workers need to be remedied at the time the worker is unemployed. They are completely unrelated to state and national levels of unemployment and the problems cannot be remedied by a brief extension of unemployment compensation benefit duration in selected labor market areas. The AFL–CIO is, there-

fore, opposed to the triggered Special Unemployment Compensation Program proposed in H.R. 8600 which is based on this mistaken concept.

The existing Federal-State Extended Unemployment Compensation Program was enacted as a part of the Employment Security Amendments of 1970. The major features of the program can only be outlined in terms of unemployment levels.

An individual jobless worker who exhausts regular state benefits is entitled to additional benefit payments of one-half the number of weeks of regular duration, but not more than 13 weeks. The total duration of regular and extended benefits cannot exceed 39 weeks for any individual—26 weeks regular benefit duration plus 13 weeks extended benefit duration.

The extended benefit program may operate at either a state or national level. However, extended benefit duration is only available during periods when the program is triggered into operation.

The national program triggers on when the seasonally adjusted insured unemployed rate (IUR) for the nation is 4.5 percent for three consecutive months and remains in operation until that rate drops below 4.5 percent for three consecutive months. The trigger selected for this program, the insured unemployment rate, is only partially related to total unemployment levels, and it has been fixed at such a high level the program has been almost useless.

The insured unemployment rate is based upon the number of jobless workers claiming benefits each month. This unemployment rate completely disregards jobless workers who fail to claim benefits. This rate does not reflect the number of jobless workers who exhaust benefits and are still jobless, and it does not reflect the majority of the 2.0 million jobless workers who are annually disqualified under state programs. In addition, this unemployment rate is always lower than the general unemployment rate for the nation or state because it is based upon a computation that is confined only to members of the labor force covered by the unemployment compensation system. Joblessness is higher for those not covered. Therefore, the insured unemployment rate is usually 1.5 to 2.0 percent lower than the total rate of unemployment in a state or throughout the nation.

The national extended benefit program has only been in operation once since it was established. The program did operate during the months of January, February, and March, 1972. Amazingly, the program triggered off April, 1972, when the national unemployment rate was 5.9 percent. However, some states had unemployment rates at such high levels state extended benefit programs continued to operate.

The state extended benefit programs operate on different triggers than the national program. A state extended benefit program becomes operative in an individual state when the insured unemployment rate for the state averages 4 percent or more for any 13 consecutive week period and exceeds 120 percent of the average insured unemployment rate for the corresponding 13-week period in the two preceding years. These trigger points for the operation of state programs are completely unresponsive to the needs of long-term jobless workers. State extended benefit programs can only operate in periods of high unemployment if the level of joblessness progressively increases.

The state extended benefit programs have proved to be such failures that Congress has enacted special extended unemployment compensation legislation on six separate occasions since 1970. Each time special extended benefit legislation was enacted, the purpose was to patch-up the existing program.

During the first week in April, the Department of Labor "Trigger Notice" revealed that 17 states with an insured rate of unemployment in excess of 4.0 percent cannot pay extended benefits because they do not meet the dual trigger requirements of 4.0 percent and 20 percent greater than the corresponding period in the two prior years, and state legislation to suspend the 20 percent requirement has not been enacted.

Despite the demonstrated failures of the trigger approach to the problem of high level long-term unemployment, the Administration proposes in H.R. 8600 to extend this trigger concept to labor market areas. This program is, in our opinion, doomed to failure.

Moreover, we doubt that the Department of Labor has the capacity at this time to administer such a program. New labor market areas would have to be defined. The procedures for gathering and reporting unemployment data to conform to the designated labor market areas would have to be developed and implemented.

The insured rate of unemployment, proposed as the trigger device for the program, is not responsive to general unemployment levels. In fact, the insured

unemployment rate fails to reflect the extent of joblessness among the very group of people the proposal is designed to help—jobless workers uncovered by regular unemployment compensation programs and jobless workers who exhaust regular benefits.

The trigger approach to the problems of long-term unemployment makes no sense. A worker who is the victim of long-term unemployment needs income protection whenever he is jobless and regardless of the level of area or state or national unemployment.

Sweeping changes are needed in the extended unemployment compensation program to make extended unemployment insurance protection potentially available to every jobless worker. The AFL–CIO Executive Council, at its recent meeting, urged Congress to take immediate action to:

"Abolish the triggered extended unemployment compensation program and replace it with a 100 percent federally financed extended unemployment compensation benefit program. It should entitle every jobless worker to an additional 26-week federal benefit period when his regular state benefits are exhausted. Extended benefits should be coordinated with a comprehensive program of job counseling, training, retraining, upgrading of skills, rehabilitation services if needed, relocation assistance, and job placement."

CONCLUSION

Modernization of the unemployment compensation system has been too long delayed. States have ignored repeated Administration requests to improve their programs. The improvements the AFL–CIO recommends would provide decent protection to all jobless workers, including public employees. They would help to meet the problems of unemployment stemming from monetary and fiscal policies, technological changes, and energy adjustments.

The AFL–CIO urges you to reject H.R. 8600 in its present form and report an entirely new bill incorporating the changes we have suggested. Only that kind of bill will modernize unemployment compensation to meet the needs of the 1970's.

TABLE I.—MONTHLY UNEMPLOYMENT RATES (SEASONALLY ADJUSTED)

[16 yr and over]

Month	1970	1971	1972	1973	1974
January		6.0	5.9	5.0	5.2
February		5.8	5.7	5.1	5.2
March		6.0	5.9	5.0	
April		6.1	5.8	5.0	
May		6.2	5.8	5.0	
June		5.6	5.5	4.8	
July		5.8	5.6	4.7	
August	5.1	6.1	5.6	4.8	
September	5.4	6.0	5.5	4.8	
October	5.5	5.8	5.5	4.5	
November	5.9	6.0	5.2	4.7	
December	6.2	6.0	5.1	4.9	

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Monthly Labor Review."

TABLE II.—NUMBER OF UNEMPLOYED REPORTED MONTHLY (SEASONALLY ADJUSTED)

[In millions]

Month	1970	1971	1972	1973	1974
January		5.0	5.1	4.4	4.7
February		4.9	4.9	4.4	4.8
March		5.0	5.1	4.4	
April		5.1	5.0	4.4	
May		5.2	5.0	4.4	
June		4.8	4.8	4.3	
July		4.9	4.8	4.2	
August	4.3	5.1	4.9	4.2	
September	4.5	5.0	4.8	4.3	
October	4.6	4.9	4.8	4.1	
November	4.9	5.1	4.5	4.3	
December	5.2	5.1	4.5	4.4	

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Monthly Labor Review."

TABLE III.—PERCENT OF NEW INSURED CLAIMANTS ELIGIBLE FOR THE BASIC MAXIMUM WEEKLY BENEFIT AMOUNT (MWBA)

State	Percent eligible for MWBA (1971)	MWBA as percent of State's average weekly wage (enacted through Jan. 1, 1973)	State UI covered employment as percent of U.S. total covered employment	Cumulative
United States	52		100.0	100.0
Indiana	80	29	2.6	2.6
Ohio	80	36	5.4	8.0
Michigan	76	32	4.4	12.4
Nevada [1] [2]	58	50	.3	12.7
Nebraska	69	47	.6	13.3
Arizona	65	41	.8	14.1
Illinois	72	31	5.9	20.0
Iowa [1] [2]	64	55	1.1	21.1
Montana	69	42	.2	21.3
South Dakota	60	[3] 48	.2	21.5
Texas	67	46	4.9	26.4
North Dakota [1]	62	50	.2	26.6
Wyoming [1]	67	50	.1	26.7
Florida	50	47	3.0	29.7
Kansas [1]	56	55	.8	30.5
Minnesota	56	44	1.8	32.3
Delaware	57	[3] 41	.3	32.6
Oklahoma [2]	41	45	.9	33.5
Oregon	54	43	1.1	34.6
Washington [1]	52	50	1.5	36.1
Missouri	57	[3] 43	2.2	38.3
Mississippi	60	43	.8	39.1
Alaska	53	[3] 27	.1	39.2
New Jersey [1]	55	50	3.8	43.0
Georgia	53	46	2.2	45.2
Idaho [1] [2]	49	55	.3	45.5
Maryland	48	56	1.8	47.3
Pennsylvania [1] [2]	57	60	6.2	53.5
Kentucky [2]	53	50	1.2	54.7
Vermont [1] [2]	46	50	.2	54.9
Louisiana	62	50	1.4	56.3
California	47	47	9.8	66.1
Alabama	49	47	1.3	67.4
New York	41	[3] 45	10.9	78.3
Wisconsin [1] [2]	43	60	2.2	80.5
District of Columbia [1] [2]	44	66⅔	.7	81.2
Virginia	38	[3] 54	2.0	83.2
Utah [1] [2]	41	65	.5	83.7
New Mexico [1]	41	50	.4	84.1
Tennessee	39	45	1.8	85.9
Rhode Island [1]	31	60	.5	86.4
Arkansas [1] [2]	28	66⅔	.8	87.2
Connecticut [1]	31	60	2.0	89.2
Hawaii [1] [2]	36	66⅔	.5	89.7
Massachusetts [1] [2]	40	55	3.2	92.9
Maine [1]	37	52	.4	93.3
South Carolina [1]	32	50	1.2	94.5
West Virginia [1] [2]	20	50	.7	95.2
Colorado [1]	24	60	1.0	96.2
North Carolina [1]	15	50	2.6	98.8
New Hampshire	19	58	.4	99.2
Puerto Rico [1]	15	60	.8	100.0

[1] States with "flexible" maximum formulas (State maximum calculated as a percentage of State's average weekly wage in covered employment).

[2] These States either did not have flexible maximums in 1970 or have increased since 1970 the percentage relationship of the maximum weekly benefit amount (MWBA) to the statewide average weekly wage (AWW). In either case, the percentage relationship between the MWBA and the AWW has changed since the period for which the percentage of claimants eligible for the MWBA is shown in col. (2) and the percentage relationship of State UI covered employment to U.S. total covered employment is shown in col. (4).

[3] In these fixed dollar maximum States, the maximum weekly benefit amount is unchanged from 1970. All other fixed dollar maximum States have increased the dollar amount of their benefit ceilings.

Source: U.S. Department of Labor, Manpower Administration, Unemployment Insurance Service, January 1973.

TABLE IV.—SELECTED UNEMPLOYMENT INSURANCE ACTIVITIES UNDER STATE PROGRAMS, 1972

[Percent of claimants with sufficient wage credits to qualify for benefits]

State	1972	1971	1970	1969	1968	1967
Massachusetts	93.8	93.5	95.2	95.3	95.1	96.3
Michigan	92.3	92.6	95.5	95.8	93.0	93.6
New Jersey	93.7	94.1	94.6	93.5	93.6	93.0
New York	93.7	94.3	95.7	95.4	95.5	95.3
Wisconsin	91.5	93.0	95.1	95.3	95.0	95.4
Colorado	75.5	64.2	64.8	66.2	70.7	77.2
Florida	69.4	71.6	74.0	74.1	73.4	74.7
Louisiana	75.9	77.3	76.9	76.5	76.2	73.6
Oklahoma	68.2	70.0	71.4	70.7	71.3	72.1
North Dakota	70.8	74.4	75.3	75.8	76.1	77.3

Source: U.S. Department of Labor, Manpower Administration, "Unemployment Insurance Statistics," May–June 1973.

TABLE V.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT

State	Weekly benefit amount [1]		Required total earnings in base year [2]		Minimum work in base year (weeks) [3]
	Minimum	Maximum	For minimum benefit	For maximum benefit	
Alabama	$15	$68	$525	$2,633	2Q
Alaska	[1] 23	[1] 120	750	8,500	2Q
Arizona	10	60	375	2,231	2Q
Arkansas	15	79	450	2,370	2Q
California	25	90	750	2,748	----------
Colorado	25	93	750	9,569	----------
Connecticut	[1] 20	[1] 147	600	3,920	2Q
Delaware	10	85	360	3,060	----------
District of Columbia	[1] 14	117	450	4,002	2Q
Florida	10	64	400	2,520	2Q
Georgia	12	65	432	2,340	2Q
Hawaii	5	98	150	2,940	14
Idaho	17	78	520	2,503	2Q
Illinois	10	[1] 105	800	1,759	2Q
Indiana	20	[1] 75	500	1,225	2Q
Iowa	10	75	300	1,590	2Q
Kansas	18	73	540	2,190	2Q
Kentucky	12	70	344	2,198	2Q
Louisiana	10	70	300	2,100	----------
Maine	12	65	600	1,419	----------
Maryland	[1] 13	78	360	2,808	2Q
Massachusetts	[1] 25	[1] 135	1,200	1,200	----------
Michigan	[1] 18	[1] 92	350	1,400	14
Minnesota	15	85	540	3,042	18
Mississippi	10	49	360	1,764	2Q
Missouri	12	67	480	2,680	2Q
Montana	12	65	455	2,522	2Q
Nebraska	12	68	600	1,800	2Q
Nevada	16	80	528	2,640	----------
New Hampshire	14	80	600	6,600	2Q
New Jersey	10	85	255	2,142	17
New Mexico	14	67	423	2,145	2Q
New York	20	75	600	2,980	20
North Carolina	12	64	550	7,400	2Q
North Dakota	15	68	600	2,720	2Q
Ohio	[1] 16	[1] 114	400	3,040	20
Oklahoma	16	60	500	2,301	2Q
Oregon	23	76	700	6,040	18
Pennsylvania	[1] 17	[1] 104	440	3,800	2Q
Rhode Island	[1] 17	[1] 102	400	2,982	20
South Carolina	10	83	300	3,198	2Q
South Dakota	19	59	590	1,866	2Q
Tennessee	14	62	504	2,232	2Q
Texas	15	63	500	2,325	2Q
Utah	10	87	700	2,356	19

See footnotes at end of table.

TABLE V.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT—Continued

State	Weekly benefit amount [1]		Required total earnings in base year [2]		Minimum work in base year (weeks) [3]
	Minimum	Maximum	For minimum benefit	For maximum benefit	
Vermont	15	77	600	3,060	20
Virginia	20	70	720	2,520	2Q
Washington	17	81	1,200	2,012	[4] 16
West Virginia	12	84	700	11,000	
Wisconsin	23	92	792	3,276	18
Wyoming	10	67	800	1,650	20
Puerto Rico	7	50	150	1,500	2Q

[1] Amounts include dependents' allowances in 11 States which provide such allowances (in the case of minimum benefits the table assumes 1 dependent). For a worker with no dependents, the maximum weekly benefits in these States are: Alaska, $90; Connecticut, $92; Illinois, $60; Indiana, $50; Massachusetts, $90; Michigan, $56; Ohio, $77; Pennsylvania, $96; and Rhode Island, $82.

[2] In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks.

[3] Number of weeks of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year.

[4] Alternative requirement is 600 hours of employment.

Note: Data in table correct as of January 1974.

Source: Committee on Finance, U.S. Senate, hearing on S. 3257, "Staff Data and Materials on Unemployment Compensation," Apr. 2, 1974.

TABLE VI.—PERCENT OF JOBLESS WORKERS RECEIVING UNEMPLOYMENT COMPENSATION BENEFITS FOR SELECTED MONTHS OF 1973

1973	Total unemployment (millions)	Insured unemployment (millions)	Percent of jobless receiving benefits
July	4.2	1.6	38.1
August	4.2	1.6	38.1
September	4.3	1.4	32.6

Source: "Monthly Labor Review," December 1973.

Mr. SEIDMAN. Mr. Chairman, that completes my formal statement, but we would be glad to answer any questions the committee might have.

The CHAIRMAN. Mr. Seidman, we appreciate your being with us together with Mr. O'Brien and Mr. Fair and substituting for Mr. Biemiller this morning.

Are there any questions?

Mr. Burke.

Mr. BURKE. During the recent energy crisis the Department of Labor put out figures showing that there was a decrease in unemployment. Do you know how this figure was arrived at when we've also seen the laying off of 100,000 people in the automobile industry, the thousands of gas stations closing around the country and hundreds of thousands of people losing their jobs and petrochemical plants closing down because they were unable to get their products made? Wasn't this a kind of miracle to have happen? How did they ever arrive at this conclusion? Does the Department of Labor have a new method of putting out figures on unemployment that is showing a better image?

Mr. SEIDMAN. Congressman Burke, it is my understanding that in the most recent figures the unemployment figure according to the Department of Labor dropped by 0.1 percent which statistically speaking, of course, is insignificant and may be within the range of probable error in the figures.

But in addition to that, the figures also showed that the number of people in the labor force seasonally adjusted declined during that same period which means that there were people who were out of work who from a technical standpoint dropped out of the labor force, but undoubtedly would have been willing to work if they could have been able to find jobs.

Now we also do know that during this same period, according to the Department of Labor, the number of people who were put out of jobs as a result of the energy crisis was continuing at a very high figure. Perhaps Mr. O'Brien may have the actual figures at hand.

Mr. O'Brien. Congressman, in the employment situation report by the Department of Labor for February 1974, they estimated approximately 500,000 people were unemployed due to energy directly and indirectly. Also, at that time, the Secretary has submitted to the Congress his report on the impact of energy shortages on manpower needs.

The statistical methodology is outlined in the back of this report. It does cite some of the shortcomings or some of the gaps that may exist in the systems that they have used. But this is the report on which they base their estimate.

Mr. Burke. It reads very well in the papers. Of course, a lot of people who are employed feel that things are getting better when actually they are not getting better and these figures belie the conditions, as I see them, of these hundreds of thousands of people who lost their jobs.

Yet the Department of Labor comes up with a figure showing that the unemployment figure is improving. It has bothered me some to wonder how this miracle is brought about. I have not had an explanation yet for it. I thought possibly you people might be able to explain this great miracle that has happened.

I wonder if we should not get a little legislation to have truth in reporting these statistics by all agencies. Thank you.

The Chairman. Are there any further questions?

Mr. Collier.

Mr. Collier. In your report you said that only eight States, as I recall, responded with voluntary action and therefore reliance on voluntary action was futile. Are these figures which were given to us incorrect then because you don't include my State of Illinois and according to other figures that we have, and I know that we increased the weekly benefit in our State, since that time, yet they are not included and I don't know how many more there are, among the States who responded.

Actually we increased benefits by as much as 50 percent since that time in Illinois.

Mr. Seidman. The standard which was recommended by the administration in its message was that the States should set a minimum benefit of 50 percent of the worker's wage up to 66⅔ percent of the State average. The only States which responded to that extent—there were other States that increased their unemployment insurance payments during that period, but the only States that responded to that extent—were the eight jurisdictions, seven States and the District of Columbia, which we listed in our statement.

Mr. Collier. Well, the fact of the matter is that there was response. It may not have been to the extent that you liked, but there definitely was response. In fact, if you look at the benefit amounts for every State

since that time, there have been very sharp increases. So, I just want the record to show that this request was not ignored by all the other States.

But what is included here are only those that responded to the extent that was recommended. But there was in fact a very definite response on the part of virtually every State.

Mr. SEIDMAN. The response, however, was not enough to bring even the maximum benefit up to the poverty level in a majority of States. It is for that reason that we say that it is our view, and, of course, we are stating our view, that the response was not sufficient.

As a matter of fact, we are recommending in this statement a standard which so far as the individual benefit is concerned goes beyond that which had been recommended by the administration but this does not even meet the inadequate standard which had been recommended by the administration.

Mr. COLLIER. You recommended 66⅔, is that correct?

Mr. SEIDMAN. Yes, sir.

Mr. COLLIER. Sixty-six and two-thirds which is tax exempt?

Mr. SEIDMAN. Yes; it would be tax exempt.

Mr. COLLIER. So if you are going to pay benefits of 66⅔, recognizing, as we must, that there are certain other expenses involved in moving to and from a place of employment and costs that are associated thereto, 66⅔ percent benefit, tax free, would present something of a problem in some cases, is it not likely, assuming that we could afford it?

Mr. SEIDMAN. This would help to maintain the purchasing power of workers and their families and bring them above the poverty level that most people on unemployment insurance are at or below today. Actually they are below the poverty level.

So we think that this is thoroughly justified in terms of what the basic purposes of the unemployment insurance law are.

Mr. COLLIER. You are not suggesting that 66⅔ percent is essential to come above the poverty level when it is 66⅔ of normal salary which is tax exempt and does require the normal investment that every worker has to make getting to and from work and other associated costs necessary to come above the poverty level. I think we have to get somewhere down the middle in understanding what your proposal does.

Mr. SEIDMAN. I think it would help for a good many workers who are below the poverty level. I think anybody in order to receive unemployment insurance must be available for work. We are not suggesting that that requirement be weakened in any way whatsoever.

Mr. COLLIER. I understand that. I am trying to relate this to what the cost of the program would be nationally and the figure is high and what impact it would have, not only on the Federal Treasury, but, in fact, on the economy.

Mr. SIEDMAN. In fact, as a result of experience rating which is a feature of the program that we have always opposed, most employers are not paying anything like the statutory rate that exists in the various States with respect to unemployment insurance.

Mr. COLLIER. I understand that. Thank you, sir.

The CHAIRMAN. Are there any further questions?

If not, again, we thank you.

Our next witness is Mr. Sam Dyer, together with Michael Romig and Russell Hubbard of the U.S. Chamber of Commerce.

STATEMENT OF SAM DYER, CHAIRMAN, SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION, AND RUSSELL HUBBARD, U.S. CHAMBER OF COMMERCE, ACCOMPANIED BY MICHAEL J. ROMIG, ASSOCIATE DIRECTOR, ECONOMIC SECURITY, EDUCATION, AND MANPOWER SECTION

Mr. DYER. Mr. Chairman and members of the committee, I am Sam Dyer of Federated Department Stores. I am one of five employer representatives presently serving on the Federal Advisory Council on Unemployment Insurance. I am also chairman of the national chamber's unemployment compensation subcommittee and it is in this capacity that I appear on behalf of the Chamber of Commerce of the United States.

Appearing with me is Russell Hubbard of General Electric Co. We are accompanied by Michael J. Romig, who is an associate director of the national chamber's economic security, education, and manpower section.

We welcome the opportunity to present our views on what we believe is one of our Nation's finest examples of Federal and State cooperation.

Our unemployment compensation subcommittee carefully reviewed the proposed Job Security Assistance Act of 1974 as well as other proposed unemployment insurance or jobless benefits legislation pending before this committee and other committees of the House and Senate. Our study utilized the most current data available and reflects the best judgment of the members of our unemployment and workmen's compensation committee, a judgment supported by chamber policy.

We oppose the proposed Job Security Assistance Act of 1974. Furthermore, we oppose H.R. 13214—Burke, Democrat, of Massachusetts—but we recognize the need for some improvement in the State trigger currently used for the extended benefit program.

In summarizing our statement for you this morning, I will discuss proposals for supplemental benefit programs and proposed changes to the extended benfit program. Mr. Hubbard will then discuss our recommendations with respect to title I of the administration's Job Security Assistance Act.

Title II of the Job Security Assistance Act of 1974 would provide up to 13 additional weeks of benefits in areas of high joblessness and up to 26 weeks of benefits in those same areas to persons not covered by present unemployment insurance programs.

These new federally financed benefits—in addition to the usual 26 weeks under State law and an additional 13 weeks under the Federal-State extended compensation program—would mean that a jobless worker could draw benefits for up to 1 year.

An almost identical program is provided for in H.R. 13214—Burke, Democrat, of Massachusetts. It differs only in the method of computing "insured unemployment" and the program would terminate December 31, 1975, 6 months after the administration's. In addition,

similar but far more expensive proposals are under consideration by the Congress. Keyed to the energy crisis, they include:

S. 3024, introduced by Senator Ribicoff with an estimated cost of $4 billion.

S. 3206, by Senator Kennedy—cost $2.2 billion.

S. 3267, introduced by Senator Jackson—cost $3.8 billion.

H.R. 13801, introduced by Representative Esch, which simply deletes title I of the administration bill and adopts title II as a separate bill.

All of the above special unemployment proposals are a product of our Nation's collective concern for the impact of the energy crisis upon our economy. Most were drawn when economic forecasts were projecting unemployment in the vicinity of 8 to 10 percent. We were in the throes of an international oil boycott and were being subject to energy allocations by the Federal Government.

Yet, current data clearly indicate that the anticipated employment disruptions of the energy crisis never materialized and are unlikely to occur at all. Obviously, there is no need for special program dealing with energy-related unemployment.

For example, while the latest official tally for the total unemployment rate is 5.1 percent, this is not far different from our unemployment rates of last winter and spring when the energy crisis was unheard of. In terms of employment, we find that it is up substantially even in the face of the energy crisis. As reported by the Department of Labor, the number of people working has climbed by more than 7 million since 1970. It is about 86 million. Interestingly, employment has grown by nearly 700,000 since the oil embargo began. Of course, that embargo has been lifted, and its impact on employment correspondingly removed.

It is also interesting to note that in recent weeks the number of unemployment insurance claimants attributing their job loss to what they perceived were energy cutbacks has tailed off dramatically—nearly 80 percent since the first week of February.

Another fallacy inherent in these proposals is the supposition that the existing farmwork of unemployment compensation, in concert with other manpower programs, cannot meet the expected demand. Little credit is given to the ability of the unemployment insurance system to meet the task.

Moreover, manpower programs—including the widely hailed manpower revenue sharing program—seem to have been ignored. How can the Congress judge the merits of these programs when both the case for a special new program and the case against the existing program are misstated?

For these reasons, it is our contention that these additional jobless pay programs are not needed and that the existing framework of unemployment compensation, manpower training, and public service jobs is capable of meeting existing needs.

Of the major bills before the committee, only H.R. 13214 proposes to amend the Federal-State Extended Unemployment Compensation Act (although the Department of Labor has indicated that the administration is now readying its proposals for easing the impact of the trigger requirements).

H.R. 13214 proposes to double the number of weeks of extended benefits payable from the present maximum of 13 weeks to 26 weeks. It would also change the national and State "on" and "off" indicators by reducing the requirements to put an extended benefit period into effect. These changes would become effective January 1, 1976. Until then, States would be allowed to disregard the 120 percent as was recently authorized on a temporary basis by Congress.

Nearly four decades of experience has shown that 6 months of unemployment insurance benefits provide sufficient protection for the greatest majority of unemployed workers under most economic circumstances.

In times of economic recession, there may be a need for extending the duration of this protection. Accordingly, the 1970 Employment Security Amendments provided a 3-month extension when certain requirements were met. We supported this permanent program.

This legislation was the product of careful study and deliberation. Indeed this very committee, in its report on that legislation stated "* * * that a program of this type should not be enacted under the pressure of an emergency situation * * *"

Just as the 1970 amendments were carefully scrutinized, so too must these current proposals for amending the Federal-State Extended Unemployment Compensation Act be studied. H.R. 13214 presents the very complex questions of how long and when should extended benefits be provided. There may be other issues such as the use of area triggers or financing which the Ways and Means Committee might want to consider. None of these issues are easily resolved.

The foremost issue is the desirability and impact of dropping the 120 percent requirement for triggering on and off extended benefits during recessionary periods. This requirement means that a State's unemployment rate—no matter how high—must be 20 percent higher than the average rate for similar periods in the previous 2 years.

Several alternatives have been advanced. These can be grouped as follows:

Elimination of the 120 percent requirement only;

Elimination of the 120 percent requirement and a move to a seasonally adjusted rate;

Continued use of the 120 percent requirement except for the off indicator only;

Continued use of the 120 percent requirement except when unemployment exceeded a designated ceiling for a prolonged period.

Each of the above proposals would have a different impact. A careful evaluation of their respective impacts is needed. We therefore recommend that such a study be undertaken. It is evident, however, that the 120 percent factor should be waived only in the face of sustained high unemployment on a State-by-State basis.

H.R. 13214 would also reduce the national "on and off" indicator from 4.5 percent to 4 percent. We have no evidence that this change is necessary and therefore we recommend that it not be approved.

As for increasing the duration of the extended benefit program, we believe that an employer's financial responsibility must terminate at some point. Certainly after 9 months, his control over protracted unemployment has ceased. Accordingly, we believe that the present

maximum durations should not be disturbed. If the committee wishes to authorize more than 13 weeks of extended benefits, then the question of financing these additional benefits must also be considered.

Mr. Hubbard will now summarize our views on title I of the Administration's Job Security Assistance Act of 1974.

Mr. HUBBARD. Thank you.

Mr. Chairman, in the remaining few minutes, we would like to summarize our views on title I of the Job Security Assistance Act and include comments on the provisions with respect to Federal benefit standards.

In nearly four decades of successful operation, the Federal-State unemployment compensation system has been able to provide essential support to jobless workers as well as to local economies hard hit by adverse economic conditions. Equally important, it has been a most valuable tool for encouraging employers to stabilize employment through experience rating provisions. In 1973 alone, this program paid out over $4 billion of wage loss benefits, all financed from employer-paid payroll taxes.

We attribute this success to the appreciation of the need for a workable Federal-State arrangement whereby individual States would have the flexibility to recognize and meet differences in State economic conditions. This essential idea was well stated by the Committee on Economic Security in its 1935 report:

> The plan for unemployment compensation that we suggest contemplates that the States shall have broad freedom to set up the type of unemployment compensation they wish. We believe that all matters in which uniformity is not absolutely essential should be left to the States.

This expression of intent remains valid today and should be the touchstone for evaluating any changes to the program.

We in the chamber continually supported State efforts to keep benefit levels up-to-date. Our most recent action on this point was taken as recently as November of 1973 by our board of directors in their adoption of a resolution calling upon the national chamber membership to work for improvements in our State unemployment compensation laws. The chamber supported the establishment of a permanent extended benefit program for use in times of economic recession when unemployment rates are high.

By and large, the unemployment insurance program is working well. The States have demonstrated both an ability and willingness to improve their laws where need for action is shown. The overall evidence shows unmistakable progress. At the present time, there is no need for a special program of prolonged benefits.

Because the program has traditionally been a Federal-State partnership venture and has been largely a success as such, it should be continued as such until evidence shows without question that the States have failed to perform their designated responsibilities. The available evidence does not support that conclusion and therefore this committee should reject the legislation being presented today.

While the national chamber supports the payment of adequate benefits, we must oppose section 101 which would add a specific requirement on benefit amount to the several existing general conditions which a State law must meet.

Traditionally, the question of benefit amount has always been left entirely to State determination and control and rightly so.

First, flexibility was and is needed to permit States to experiment in order to find the most effective program mix. Second, broad program discretionary authority for States permits each State to develop a program best suited to its own economic characteristics.

Moreover, when unemployment compensation was established nearly 40 years ago, it was designed with the thought that employers could and would do something about minimizing unemployment. Therefore, it was considered legitimate to finance a State's benefit costs by a tax on employer payrolls. It was also essential to include an incentive into the program in the form of experience rating, so employers would be encouraged to make positive efforts to minimize layoffs. Consistent with this premise, the States retained responsibility for determining essential characteristics which fix unemployment compensation benefit costs.

Thus, authority over costs and the responsibility for financing them were properly assigned to each State.

Next, may we turn to the evidence of State progress.

Table I in our statement illustrates just how well the States have done since President Nixon's message to Congress on unemployment compensation in 1969. Since then, of course, every State has provided for one or more increases in the unemployment compensation benefit maximum; 42 States increased benefits during 1973–74.

For example, Arkansas increased its weekly benefit by $32, or 68 percent. In Pennsylvania, increases ranged from $36 to $44; in Illinois by as much as $35, or 50 percent. In Ohio by $48, or 73 percent for maximum claimants and Alabama by 70 percent.

Another way of measuring this progress is to compare benefit increases to consumer price increases. Average maximum weekly benefit payments have increased by 46 percent between July 1969 and February 1974, whereas the Consumer Price Index increased by only 28 percent. In other words, maximum WBA went up 65 percent faster than the CPI.

So the progress has been real and will continue. Indeed, 29 States now set maximum benefits on an automatic escalator formula related to statewide average weekly wages.

Our statement also compared the "wage replacement value" of unemployment compensation benefit maximums payable among the States currently and as of July 1969. It demonstrates that the States have made substantial progress in raising their benefit maximums.

In 1969, only three States had weekly benefit maximums equaling 60 percent or more of their State average weekly wage. Currently, at least 20 States pay maximum benefits equaling 60 percent or more of the average State wage.

It will be noted that in 1969, 30 States paid maximum weekly benefits equaling less than 50 percent of their average State wage. That number has now been reduced to only eight States and at least six of these States—Arizona, Louisiana, Michigan, Missouri, New York, and Oklahoma—are expected to increase their maximum benefit levels before the end of this year. This also must mean that the vast majority of actual claimants are receiving 50 percent or more of their wages.

All of these figures update the data found on page 76 of the April 21 committee print.

In sum, we believe that this is a record of remarkable progress and improvement in State benefit levels. It shows that the States are facing up to their responsibilities to keep benefits current. At this time, then, there is no need for a Federal benefit standard.

AGRICULTURAL COVERAGE

With respect to agricultural coverage, most National Chamber members, in the business of agriculture, would generally wish to provide such coverage for their workers. Such coverage however, is not without problems, and care should be taken in approaching farmworker coverage for possible adverse impacts upon the State program's administration and cost.

EMERGENCY EMPLOYMENT FINANCING

As to revenue to repay advances for the emergency unemployment compensation program, we have consistently held the view that the unemployment insurance system must not attempt to treat prolonged unemployment such as that covered by the emergency unemployment compensation program. Consistent therewith, we believe that the unemployment insurance system should not be called upon to finance long-term joblessness.

PAYMENT OF BENEFITS IN LABOR DISPUTES

Section 102 of title I of the Administration's Job Security Assistance Act of 1974 would prohibit States from paying unemployment compensation to any person "who in the State finds is a striker under the law of that State." It would further require that "compensation shall not be denied to any person who is unemployed as a result of a labor dispute and who the State finds is an innocent bystander under the law of that State."

We wholeheartedly agree with the premise that unemployment insurance should preserve its neutrality in labor disputes. This is a fundamentally sound and fair principle long endorsed by the National Chamber.

A careful examination of the language proposed in the bill, however, reveals that it would reopen this issue in every single State legislature. Moreover, most every State has largely solved this issue. Only two States, New York and Rhode Island, now permit payment of unemployment compensation to strikers and then only after an extended waiting period. It would cause confusion over what heretofore have been well defined by State legislatures and courts. On balance it causes more problems than it solves. We recommend that it be deleted from the bill.

In conclusion, we question the need for title I of the Administration's Job Security Assistance Act of 1974. We do not oppose the inclusion of farmworkers under the coverage of our Federal-State system. We urge, for reasons outlined, your rejection of title II of

the Administration's Job Security Assistance Act of 1974 as well as all of the other proposed supplemental aid programs and we do support a carefully studied improvement in the triggered Federal-State extended unemployment compensation program, perhaps along the lines suggested to you by Mr. Harding earlier.

[The prepared statement follows:]

STATEMENT OF SAM DYER AND RUSSELL HUBBARD, CHAMBER OF COMMERCE OF THE UNITED STATES

I am Sam Dyer of Federated Department Stores. I am one of five employer representatives presently serving on the Federal Advisory Council on Unemployment Insurance. I am also Chairman of the National Chamber's Unemployment Compensation Subcommittee and it is in this capacity that I appear on behalf of the Chamber of Commerce of the United States. Appearing with me is Russell Hubbard of General Electric Company. We are accompanied by Michael J. Romig, who is an Associate Director of the National Chamber's Economic Security, Education and Manpower Section.

Basically, we oppose the proposed "Job Security Assistance Act of 1974" with the exception of extending unemployment compensation coverage to farm workers. Furthermore, we oppose H.R. 13214 (Burke, D. Mass.) but we do believe that some improvement in the state trigger is in order.

INTRODUCTION

We welcome the opportunity to present our views on what we believe is one of our nation's finest examples of federal and state cooperation. In nearly four decades of successful operation, the federal-state unemployment compensation system has been able to provide essential support to jobless workers as well as to local economies hard hit by adverse economic conditions. Equally important, it has been a most valuable tool for encouraging employers to stabilize employment. In 1973 alone, this program paid out over $4 billion of wage loss benefits, all drawn from employer-paid payroll taxes.

We attribute this success to an explicit appreciation of the need for a workable federal-state arrangement whereby individual states would have the flexibility to recognize and meet differences in state economic conditions. This essential idea was well stated by the Committee on Economic Security in its 1935 report:

"The plan for unemployment compensation that we suggest contemplates that the States shall have broad freedom to set up the type of unemployment compensation they wish. We believe that all matters in which uniformity is not absolutely essential should be left to the States." [1]

We believe that this expression of intent remains valid today and should be the touchstone for evaluating any changes to the program. Accordingly, we urge continued support of that expressed principle in your evaluations of this legislation.

For many years, we have supported a public system of insurance against the hazards of unemployment. We supported the establishment of a permanent extended benefit program for use in times of economic recession when unemployment rates are high. Indeed, we testified to that effect to this Committee in October of 1969.

We have continually supported state efforts to bring about benefit adequacy. Our most recent action on this point was taken in November of 1973 by our Board of Directors in their adoption of a resolution calling upon the National Chamber membership to work for improvements in our state unemployment compensation laws.

By and large, the unemployment insurance program is working well. The states have demonstrated both an ability and willingness to improve their laws where need for action is shown. We are proud of the record of advancement. The overall evidence shows unmistakable progress. Clearly, there is no need for a special program of prolonged benefits, nor is there a need for the federal government to usurp control over essential aspects of state programs.

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[1] U.S. Congress, Report of the Committee on Economic Security (Washington: U.S. Government Printing Office, 1935), pp. 15, 20.

Because the program has traditionally been a federal-state cooperative venture and has been largely a success as such, it should be continued until evidence shows without question that the states have failed to perform their designated responsibilities. The available evidence does not support that conclusion and therefore this Committee should reject much of the legislation being presented today.

In preparation for this appearance, our Unemployment Compensation Subcommittee carefully reviewed the proposed "Job Security Assistance Act of 1974" as well as other proposed unemployment insurance or jobless benefits legislation pending before this Committee and other Committees of the House and Senate. Our study utilized the most current data available and reflects the best judgment of the members of our Unemployment and Workmen's Compensation Committee, a judgment supported by a Chamber policy.

JOB SECURITY ASSISTANCE ACT OF 1974—TITLE I AMENDMENTS TO FEDERAL UNEMPLOYMENT TAX ACT

(A) *Minimum Federal benefit standard*

Section 101 would add a specific requirement on benefit amount to the several existing general conditions which a state law must meet before a federal tax credit can be obtained for the payment of state unemployment taxes.

As the Administration has indicated in transmitting this proposal to Congress, the question of benefit amount has always been left entirely to state determination and control. The rationale for maximum state responsibility can be traced to the origin of the federal-state unemployment insurance system in 1935.

At that time two principal reasons were advanced. First, flexibility was needed to permit states to experiment in order to find the most effective program mix. Secondly, broad program discretionary authority for states would permit each state to develop a program best suited to its own economic characteristics.

Moreover, when unemployment compensation was established nearly 40 years ago, it was designed with the thought that employers could and would do something about unemployment. Therefore, it was considered legitimate to finance a state's benefit costs by a tax on employer payrolls. It was also deemed essential to weave an incentive into the program in the form of experience rating, so employers would make positive efforts to minimize lay-offs. Consistent with this premise, the states retained responsibility for determining essential characteristics which determine unemployment compensation benefit costs. Thus, authority over costs and the responsibility for financing them were properly assigned to each state.

While attitudes about the relative positions of federal and state government with respect to relief of unemployment have changed over the years, it is interesting to note that current attitudes about state performance reflect the original faith in the states.

These attitudes are fully justified by the states' response to the needs of their citizens. Table I illustrates just how well the states have done since President Nixon's message to Congress on unemployment compensation in 1969. Since July 1969, every state has provided for one or more increases in the unemployment compensation benefit maximum. These benefit increases have ranged from $10 in New York to $54 in the District of Columbia.

Akansas increased its weekly benefit by $32, or 68%. In Pennsylvania, increases ranged from $36 to $44; in Illinois by as much as $35 or 50%, and in Ohio by a whopping $48 or 73% for maximum claimants.

Another way of measuring progress is to compare benefit increases to both wage and price increases. Average weekly benefit payments have increased by 21% between 1969 and 1972, whereas average weekly wages rose by only 15% and the cost of living by only 14%. So the progress has been real and will continue. Indeed, 29 states now set maximum benefits on an automatic escalator formula in relation to average weekly wages.

The Table II summary comparing the wage replacement value of unemployment compensation benefit maximums payable among the states currently and as of July 1969 demonstrates that the states have made substantial progress in raising their benefit maximums. In 1969, only 5 states had weekly benefit maximums replacing 60% or more of their average weekly wage. Currently, at least 20 states pay maximum benefits equalling 60% or more of the average state wage. On the low side of the scale, it will be noted that in 1969 thirty states paid maximum weekly benefits equalling less than 50% of their average state wage.

That number has now been reduced to only 8 states and at least 6 of these states (Arizona, Louisiana, Michigan, Missouri, New York, Oklahoma) are expected to increase their maximum benefit levels before the end of this year.

TABLE I.—INCREASES IN MAXIMUM UNEMPLOYMENT COMPENSATION WEEKLY BENEFIT LEVELS, 1969 TO 1974 [1]

State	Maximum weekly benefit amounts		Increase	
	July 6, 1969	Apr. 1, 1974	Amount	Percent
Alabama	$44	[2] $75	$31	70
Alaska	60–85	90–120	30–35	50–41
Arizona	50	60	10	20
Arkansas	47	79	32	68
California	65	90	25	38
Colorado	71	90	19	27
Connecticut	76–114	98–147	22–33	29–29
Delaware	55	85	30	55
District of Columbia	63	117	54	86
Florida	40	64	24	60
Georgia	47	[2] 70	23	49
Hawaii	72	98	26	36
Idaho	56	78	22	39
Illinois	42–70	60–105	18–35	43–50
Indiana	40–52	[3] 60–100	20–48	50–92
Iowa	58	75	17	29
Kansas	55	73	18	33
Kentucky	52	70	18	35
Louisiana	50	70	20	40
Maine	52	65	13	25
Maryland	60	[2] 89	29	48
Massachusetts	[4] 57–	90–135	[4] 33	[4] 58
Michigan	46–76	56–92	10–16	22–21
Minnesota	57	85	28	49
Mississippi	40	[2] 60	20	50
Missouri	53	67	14	26
Montana	42	65	23	55
Nebraska	48	[5] 74	20	42
Nevada	47–67	80	33–13–	70–19
New Hampshire	54	80	26	48
New Jersey	65	85	20	31
New Mexico	53	67	14	26
New York	65	75	10	15
North Carolina	50	[6] 64	14	28
North Dakota	51	68	17	33
Ohio	47–66	[7] 77–114	30–48	64–73
Oklahoma	38	60	22	58
Oregon	55	[8] 76	21	38
Pennsylvania	60	96–104	36–44	60–73
Puerto Rico	36	50	14	39
Rhode Island	56–76	82–102	26–23	46–34
South Carolina	50	83	33	66
South Dakota	41	[9] 59	18	44
Tennessee	47	[3] 70	23	49
Texas	45	63	18	40
Utah	54	87	33	61
Vermont	56	[10] 77	21	38
Virginia	48	[2] 87	39	81
Washington	42	81	39	93
West Virginia	49	[11] 84	35	71
Wisconsin	66	[12] 92	26	39
Wyoming	53	67	14	26

[1] When 2 amounts are given, higher amount includes allowance for dependents.
[2] Effective July 1, 1974.
[3] Effective July 7, 1974.
[4] Maximum augmented amount not given since augmentation was limited only by claimant's average weekly wage in 1969.
[5] Effective 3 mos. after adjournment.
[6] Percentage used in escalator will be increased from 50 to 66⅔ percent effective Oct. 1, 1974.
[7] Effective Jan. 1, 1975 maximum weekly benefit is automatically increased by any percentage increase in the State's average weeKly wage.
[8] Percentage used in escalator will be increased from 50 to 55 percent effective Sept. 30, 1974.
[9] Percentage used in escalator will be increased from 50 to 56 percent effective July 1, 1974.
[10] Effective July 1, 1974 percentage used in escalator will be increased from 50 to 60 percent (approximately $81).
[11] Percentage used in escalation will be increased from 55 to 66⅔ percent effective July 1, 1974.
[12] Percentage used in escalator will be increased from 60 to 63 percent ($97) effective July 1, 1974, and to 66⅔ percent ($102) effective Jan. 1, 1975.

Source: UBA, Washington, D.C.

TABLE II.—PERCENT OF AVERAGE WEEKLY WAGE REPLACED BY MAXIMUM WEEKLY BENEFITS PAYABLE AMONG THE STATES, JULY 1969 AND APRIL 1974 [1]

Percent of average weekly wages	Number of States	
	July 1969	April 1974
65 or more	4	14
60 to 64	1	6
55 to 59	0	7
50 to 54	17	17
45 to 49	12	4
40 to 44	13	2
Under 40	5	2

[1] Based on maximum including allowance for dependents.

Source: UBA.

A key issue before this Committee is whether present unemployment insurance benefits are sufficiently large to be considered adequate. That depends on one's standards of judgment or the test that one applies, but even then, adequacy is a relative matter. Adequate for what purpose? Adequate to accomplish what results? Adequate to satisfy which needs? Adequate for which persons or groups?

Any attempt to apply criteria or stndards of benefit adequacy must confront the problem of marked diversity of circumstances among the jobless. Because a national test is necessarily less responsive than a state test with its far smaller and more homogeneous group of claimants, a state test can better confront the problem of diversity of circumstances. Further, it is consistent with the principle of state responsibility.

(B) Coverage of agricultural workers

Section 103 would require the states to extend coverage to agricultural workers whose employers employed four or more workers in each of 20 weeks or paid $5,000 in wages in a calendar quarter for the current or preceding calendar year. According to Administration estimates, this provision would affect about 7 percent of all farm employers and would achieve coverage for almost two-thirds of all farmworkers.

Most National Chamber members in the business of agriculture would be newly covered by their state law and generally wish to provide such coverage for their agricultural workers. This is in accord with National Chamber policy supporting broad coverage of unemployment insurance laws. Such coverage, however, is not without problems, and care should be taken in approaching farmworker coverage for possible adverse impacts upon the state program's administration and cost.

(C) Labor contractors

Section 104 provides that farm operators who employ workers through crew leaders will be responsible for record keeping and tax payments for unemployment insurance purposes. The National Chamber questions whether this approach to handling unemployment insurance coverage of farmworkers is feasible. Responsibility should attach to whomever is the true employer.

(D) Revenue to repay advances for emergency unemployment compensation

Section 105 would increase the Federal Unemployment Tax from 3.2% to 3.28% for calendar years 1974 and 1975. These additional funds would be used to repay the federal government for the cost of the original Emergency Unemployment Program of 1971. (The 1972 6-month extension of that program was financed by increasing the 1973 federal unemployment compensation tax from 3.2 to 3.28%.)

We have consistently held the view that the unemployment insurance system must not attempt to treat prolonged unemployment such as that covered by the Emergency Unemployment Compensation Program. Consistent therewith, we believe that the unemployment insurance system should not be called upon to finance long-term joblessness. This financing principle is fully embraced by all the special long-term benefit programs now being advanced and we question why it should not apply to prior programs of a similar nature.

(E) Payment of benefits in labor disputes

Section 102 of Title I of the Administration's "Job Security Assistance Act of 1974" would prohibit states from paying unemployment compensation to any person "who the state finds is a striker under the law of that state." It would further require that "compensation shall not be denied to any person who is unemployed as a result of a labor dispute and who the state finds is an innocent bystander under the law of that state."

We wholeheartedly agree with the premise that unemployment insurance should preserve its neutrality in labor disputes. This is a fundamentally sound and fair principle long endorsed by the National Chamber.

A careful examination of the language proposed in the bill, however, reveals that it would reopen this issue in every single state legislature. Moreover, every state has largely solved this. It would cause confusion over what heretofore have been well defined by state legislatures and courts. The entire legal definitional process would have to be re-instituted and re-traced with little benefit to be derived therefrom. In its present form, we recommend that it be deleted from the bill.

TITLE II: SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM

Title II would provide up to 13 additional weeks of benefits in areas of high joblessness and up to 26 weeks of benefits in those same areas to persons not covered by present unemployment insurance programs.

These new federally financed benefits—in addition to the usual 26 weeks under state law and an additional 13 weeks under the Federal-State Extended Compensation Program—would mean that a jobless worker could draw benefits for up to one year. The benefits would be triggered on an area basis as opposed to a state basis, and would be available (triggered) if insured unemployment in an area averaged 4.5% or more for 13 weeks, or if it averaged 4% or more in an area which experienced an increase of 20% or more in insured unemployment since the corresponding period between October 1972 and September 1973.

An almost identical program is provided for in H.R. 13214 (Burke, D. Mass.). It differs only in the method of computing "insured unemployment" (special benefit claims are included), and the program would terminate December 31, 1975 (six months after the Administration's). In addition, similar but far more expensive proposals are under consideration by the Congress. Keyed to the energy crisis, they include:

S. 3024, introduced by Senator Ribicoff, would provide unemployment compensation for a period of 2 years to individuals jobless as a result of the energy crisis.

S. 3206, by Senator Kennedy, would also provide jobless pay benefits to the same persons until June 30, 1976.

S. 3267, introduced by Senator Jackson, would provide unemployment assistance until July 1, 1975 to any worker who is unemployed as a result of disruptions of energy supplies and resources.

All of the above special unemployment proposals are a product of our nation's collective concern for the impact of the "energy crisis" upon our economy. Each was drawn when economic forecasts were projecting unemployment in the vicinity of 8 to 10%. We were in the throes of an international oil boycott and were being subject to energy allocations by the federal government.

Yet, current data clearly indicates that the anticipated employment disruptions of the energy crisis never materialized and are unlikely to occur at all. Obviously, there is no need for special program dealing with energy-related unemployment.

For example, while the latest official tally for the total unemployment rate is 5.1%, this is not far different from our unemployment rates of last winter and spring when the energy crisis was unheard of. In terms of employment, we find that it is up substantially even in the face of the energy crisis. As reported by the Department of Labor, the number of people working has climbed by more than seven million since 1970. Interestingly, employment has grown by nearly 700,000 since the oil embargo began. Of course, that embargo has been lifted, and its impact on employment correspondingly removed.

It is also interesting to note that in recent weeks, the number of unemployment insurance claimants attributing their job loss to what they pereceived were

energy related cutbacks has tailed off dramatically. As Table III illustrates, new energy-related layoffs reached a peak in early February and since then have fallen off each week.

TABLE III.—INSURED UNEMPLOYMENT, TOTAL AND ENERGY CAUSED

Week ending	Total insured unemployment	Energy caused unemployment	Total number of new claimants citing energy causes
Dec. 22, 1973	1, 872, 100	18, 900	26, 700
Dec. 29, 1973	2, 161, 900	33, 100	30, 900
Jan. 5, 1974	2, 526, 800	44, 000	28, 200
Jan. 12, 1974	2, 529, 400	131, 500	69, 200
Jan. 19, 1974	2, 617, 600	152, 500	47, 700
Jan. 26, 1974	2, 566, 900	182, 200	43, 800
Feb. 2, 1974	2, 558, 400	178, 700	62, 600
Feb. 9, 1974	2, 604, 300	187, 900	115, 200
Feb. 16, 1974	2, 656, 400	232, 800	56, 900
Feb. 23, 1974	2, 672, 600	244, 200	48, 200
Mar. 2, 1974	2, 586, 500	229, 600	49, 600
Mar. 9, 1974	NA	225, 900	36, 500
Mar. 16, 1974	NA	230, 100	24, 600
Mar. 23, 1974	NA	232, 900	47, 300
Mar. 30, 1974	NA	228, 200	32, 800
Apr. 6, 1974	NA	214, 100	24, 200

Source: U.S. Department of Labor.

These data tell a dramatic story—one of inherent economic strength and certainly not one that would support hasty revisions of the unemployment insurance system.

Another fallacy inherent in these proposals is the supposition that the existing framework of unemployment compensation, in concern with other manpower programs, cannot meet the expected demand. Little credit is given to the ability of the unemployment insurance system to meet the task. Moreover, manpower programs—including the widely hailed Manpower Revenue Sharing Program—seem to have been ignored. How can the Congress judge the merits of these programs when both the case for a special new program and the case against the existing program are misstated?

For these reasons, it is our contention that these additional jobless pay programs are not needed and that the existing framework of unemployment compensation, manpower training, and public service jobs is capable of meeting existing needs. However, our opposition also traces to their underlying deficiencies as to coverage, duration, eligibility, and administration considerations.

Coverage.—Some would provide almost universal coverage of the nation's work force—but only those whose unemployment resulted from energy shortages would be helped. Despite this limitation, these bills are estimated to cost $4 billion between now and June 1975.

The Administration bill and H.R. 13214 are hailed as providing broader coverage, yet the cost for a similar period is but one-fourth that of the Jackson-Ribicoff bills. This wide divergence in cost is easily explained; these bills would pay additional benefits to unemployed in population areas of 250,000 or more but would give no assistance in less populated areas. S. 3206 would pay additional benefits only to those who are covered under current programs. Politically, it would be virtually impossible to exclude these areas or ineligibles, but including them would raise costs substantially.

Duration.—Unemployment insurance is designed to provide assistance to those jobless workers who are temporarily unemployed. All of the special benefit programs would assure that unemployed persons could draw benefits anywhere from a maximum of one year up to a maximum of nearly three years. It is impossible for us to comprehend how separation from employment from one to three years can be construed as temporary.

Eligibility.—Unemployment compensation has traditionally followed the principle that benefits are intended for the protection of previously employed members of the labor force. All of the pending proposals except S. 3267 affirm this principle by relying on state law eligibility considerations. S. 3267 would prescribe an unwise uniform federal standards of one month of prior work.

Administration.—A program's success is necessarily keyed to the ability of the responsibile agencies to administer the provisions of the program in an effective and efficient manner. On this point, all of the proposals are wanting. S. 3024 and S. 3267 are unworkable because they require a determination of a casual connection of unemployment to energy factors. This is a most complex and difficult determination, and we are impressed with the Department of Labor's persuasive arguments on this point.

On the other hand, the Administration proposal and H.R. 13214 are not without substantial administrative burdens. The need to define the new labor market areas and to establish procedures for gathering necessary data is a substantial task which would very well remain uncompleted by the time the program's authority lapses. And of course, this program would trigger in only where the insured unemployed reaches required levels. As such, it negates its value for the very people it is designed in part to help—uninsured jobless workers.

All of the foregoing reinforces our basic opposition to these special benefit programs.

AMENDMENTS TO THE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

Only H.R. 13214 proposes to amend the Federal-State Extended Unemployment Compensation Act (although the Department of Labor has indicated that the Administration is now readying its proposals for easing the impact of the trigger requirements).

H.R. 13214 proposes to double the number of weeks of extended benefits payable from the present maximum of 13 weeks to 26 weeks. It would also change the national and state "on" and "off" indicators by reducing the requirements to put an extended benefit period into effect. The rate of insured unemployment in the national indicators would be decreased from 4.5% to 4%. The State indicators would be modified by eliminating the present 120% requirement and by using a "seasonally adjusted" rate of insured unemployment in place of the "raw" insured unemployment rate presently used in the state triggers. These changes would become effective January 1, 1976. Until then, states would be allowed to disregard the 120% requirement as was recently authorized on a temporary basis by Congress.

Nearly four decades of experience has shown that six months of unemployment insurance benefits provide sufficient protection for the greatest majority of unemployed workers under most economic circumstances. In times of economic recession, there may be a need for extending the duration of this protection. Accordingly, the 1970 Employment Security Amendments provided a three-month extension when certain requirements were met.

This legislation was the product of careful study and deliberation. Indeed this very Committee, in its report on that legislation, stated ". . . that a program of this type should not be enacted under the pressure of an emergency situation . . ."

Just as the 1970 amendments were carefully scrutinized, so too, must these current proposals for amending the Federal-State Extended Unemployment Compensation Act be studied. H.R. 13214 presents the very complex questions of how long and when should extended benefits be provided. There may be other issues such as the use of area triggers or financing which the Ways & Means Committee might want to consider. None of these issues are easily resolved. We should not act hastily just for the sake of action.

The foremost issue is the desirability and impact of dropping the 120% requirement for triggering on and off extended benefits during recessionary periods. This requirement means that a State's unemployment rate—no matter how high—must be 20% higher than the average rate for similar periods in the previous two years.

Several alternatives have been advanced. These can be grouped as follows:

Elimination of the 120% requirement only;

Elimination of the 120% requirement and a move to a seasonally adjusted rate;

Elimination of the 120% requirement for the off indicator only;

Elimination of the 120% requirement when unemployment exceeded a designated ceiling.

Each of the above proposals would have a different impact. A careful evaluation of their respective impacts is needed. Perhaps a computer simulation

could be developed to assist in the analysis and evaluation. Without appropriate facts, we are unprepared to make a recommendation at this time.

H.R. 13214 would also reduce the national "on and off" indicator from 4.5% to 4%. We have no evidence that this change is necessary and therefore we recommend that it not be approved.

As for increasing the duration of the extended benefit program, we believe that an employer's financial responsibility must terminate at some point. Certainly after 9 months, his control over protracted unemployment has ceased. Accordingly, we believe that the present maximum durations should not be disturbed. If the Committee wishes to authorize more than 13 weeks of benefits, then the question of financing these additional benefits must also be considered.

In conclusion then, we recommend that the Ways & Means Committee:

Reject Title I of the Administration's "Job Security Assistance Act of 1974", but

We do not oppose the inclusion of farmworkers under the coverage of our Federal/State system as suggested in Title I of the "Job Security Assistance Act of 1974".

Reject Title II of the Administration's "Job Security Assistance Act of 1974" as well as all of the other proposed supplemental aid programs.

Support a studied, finely tuned improvement in our triggered "Federal/State Extended Unemployment Compensation Program."

The CHAIRMAN. We thank you gentlemen for your statements and appreciate them very much.

Without objection, the committee will recess until 2 p.m., this afternoon.

[Whereupon, at 12:15 p.m., the committee recessed to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. GIBBONS [presiding]. The committee will come to order.

Our first witness this afternoon will be Mr. George E. Hotton, of the National Association of Manufacturers.

STATEMENT OF GEORGE E. HOTTON, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. GIBBONS. If you would identify yourself for the record, you may proceed as you wish.

Mr. HOTTON. My name is George Hotton. I am manager of compensation and benefits, for FMC Corp., in Chicago, Ill.

I welcome this opportunity to appear today on behalf of the National Association of Manufacturers whose membership includes more than 12,000 companies—80 percent of whom employ less than 500 employees—primarily engaged in manufacturing. This statement is also endorsed by 41 State manufacturers/business and local industrial relations associations. In this connection the appendix that was attached to our prepared testimony should add as No. 40, the Associated Industries of Kentucky; as No 41, the Associated Industries of Alabama.

The NAM, speaking for American industry, strongly supports State-administered and employer-financed programs to provide adequate unemployment compensation benefits to those workers who have become temporarily and involuntarily unemployed. We are convinced that past experience with the present system proves its essential

strength, competence, and responsiveness. We further believe that available data and experience supports the conclusion that the existing system is effectively meeting present needs of those whose temporary unemployment has been caused by the energy crisis, a crisis which now seems to be abating rapidly even though the longer range problem remains.

Thus, we believe no special Federal program is required or desirable for those unemployed as a direct result of the energy crisis. Finally, no system is perfect and we do support modifications, when necessary, to the present Federal-State program. Such modifications should enhance its responsiveness to those temporarily and involuntarily unemployed as a consequence of the energy or other crisis.

In view of the aforementioned, we believe title II of H.R. 13214 represents in general a constructive approach. Agreement would be needed on different indicators, duration, and other related provisions than those presently contained in title II. However, the concept is commendable and preferable to the administration's Job Security Assistance Act of 1974 and other proposals concerned with unemployment compensation.

STRENGTH OF PRESENT FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM

The Federal-State unemployment compensation program is a cooperative partnership created by the Social Security Act of 1935. Although there are Federal requirements relating to the establishment of the programs, imposition of Federal unemployment taxes, and minimal coverage provisions, the States still have almost unlimited discretion in designing their own programs in terms of benefit levels, eligibility, and financing provisions to meet State needs and conditions. State unemployment taxes paid by employers defray cost of State legislated benefits.

Three fundamental reasons warrant and require continuation and improvement of this program.

One. Flexibility. It is self-evident that there are diverse economic and social differences among the States which cannot be fairly or effectively considered by increased Federal control, such as by Federal standards. This argument is not new, but it is valid.

However, I would like to mention just one situation which is illustrative of the very real and practical problems which accompany the existing federally prescribed standards for unemployment insurance.

One of the standards which has been in the Federal Unemployment Tax Act from its beginning, is that a State may not reduce an employer's rate of contributions except on the basis of his experience with unemployment during not less than the previous 3 years.

Some years ago, the State of New York was desirous of extending unemployment insurance coverage to employees of nonprofit institutions while at the same time, it wished to avoid imposing excessive cost burdens on their budgets.

In order to achieve this objective, New York enacted an amendment which made employees of nonprofit institutions eligible for benefits which at the same time provided that the institution's liability for contributions be limited to the amount actually needed to reimburse the State fund for the money advanced by it to pay the benefits to its employees.

The officials in the U.S. Department of Labor who are responsible for enforcing the Federal standards, decided that they could not approve this approach to coverage of eleemosynary institutions because their tax liability would not be determined by the same formula as for other employers. This worthy endeavor had to wait for several years until Congress passed the Employment Security Amendments of 1970, which provided for this beneficial change. In this example the federally imposed control was federally enforced stagnation. Other examples are available.

Second. Continuing State improvements. The administration's proposal mandates Federal benefit and coverage standards which will inevitably be expanded in future years to include numerous additional Federal standards. Although NAM recognizes these are deficiencies in benefit levels and coverage in some State programs, the record of the States in improving their programs is both significant and substantive, for example:

> Forty-two States increased benefits in 1973–74 (other States are expected to do so before end of year).
>
> Forty-five States now have maximum weekly benefits of at least 50 percent of the statewide average weekly wage (including dependency allowance in maximum).
>
> From July 1969 to February 1974 the Consumer Price Index increased 28 percent while the average increase in State maximum weekly benefit amounts was 46 percent.

Third. Individual employer experience rating. This provides maximum employer incentive to provide steady employment and stimulates the active interest of employers in the administration of and legislative changes in the program. An equitable allocation of unemployment compensation costs so that each employer's tax largely finances the benefits paid to his employees is an absolute necessity to insure job stabilization. The imposition of Federal benefit standards, such as those contained in the administration's proposal, can only lead to the ultimate demise of this incentive.

NO NEW NATIONAL PROGRAM FOR LOCAL ENERGY-CAUSED UNEMPLOYMENT NEEDED

Based on the most recent statistics of the Department of Labor and an NAM survey of 1,200 member-employers with 500 or more employees, it is clear there is no national unemployment problem related to the energy crisis. The same data does indicate some areas where there is unemployment aggravated by the energy shortage. This unemployment seems to be concentrated in the automobile manufacturing and ancillary industries and the leisure-home and trailer industry.

According to the most recent Labor Department reports available to us, 214,000 claimants, out of a total of 2.4 million persons receiving unemployment benefits, have attributed their job losses to energy-related layoffs—this represents approximately 9 percent of those receiving benefits. More than half of the energy-related insurance recipients—115,000—were located in Michigan. The remainder were concentrated in a very few States.

Out of total initial claims made during the week ending April 6, 24,200 persons attributed their unemployment to the energy situation. These energy-related claims represented 8 percent of the total new claims, down from 12 percent in the previous week, which in turn was down from 17 percent for the week ending March 23.

This trend is expected to continue downward as rehiring in the automobile, fabricated metals, electrical equipment, trade and service industries has been reported.

For those whose unemployment is energy related, there are already in being State, Federal, and company programs to provide benefits. For example, the present Federal-State extended benefit system has previously been triggered in Michigan because of the layoffs in the automobile industry. Most of these workers are also receiving supplemental unemployment benefits provided by their employers through collectively bargained agreements. We don't see yet where the energy crisis has created a need for a further extension.

What clearly is not needed is a new Federal unemployment compensation program to provide benefits on a discriminatory basis to selected individuals or groups of individuals. Nothing in the record at the present time justifies an extension of the present 13-week extended benefit period. The cost of policing and administering a special benefit for only those unemployed because of energy shortages or any other specific economic situation is prohibitive.

Additionally, it would be difficult to convince a worker unemployed because of shortages caused by wage-price controls or any other reason that his unemployment benefits should be less than his neighbor unemployed because of the energy crisis.

Finally, it is significant that at no time in the history of the program have there been special programs because of economic conditions in a few areas.

RECOMMENDED IMPROVEMENTS

Some modification of the permanent extended program is indicated because there are a few States having high—above 6 percent—insured unemployment that could not pay extended benefits except for some temporary Federal legislation.

However, the unemployment compensation program could be improved by some very elementary amendments to the permanent system.

For example, an unemployment ceiling of 6 percent could be established, beyond which Federal-State extended benefits could be payable in any State under the permanent system, regardless of what caused its unemployment crisis and without regard to the 120-percent requirement.

From 4 to 6 percent insured unemployment the States could be given the option of adopting the Federal-State extended benefits, with the 120-percent requirement applicable. If insured unemployment is below 4 percent, no extended benefits would be possible. This would be a far better solution than creating a new temporary Federal unemployment compensation system to dole out benefits on a discriminatory basis to a select group of beneficiaries.

Another improvement would be to increase the allocation of administrative funds for fraud prevention and reduction of other leakages. This would benefit the entire system and increase its effectiveness.

I hope these recommendations will be helpful to the committee.

SUMMARY

The NAM strongly supports State-administered and employer-financed programs to provide adequate unemployment compensation benefits to those workers who have become temporarily and involuntarily unemployed. Past experience, flexibility, continuing State improvements and individual employer experience rating are fundamental reasons warranting and requiring the continuation and improvement of the program. Current information clearly indicates there is no national unemployment compensation problem related to the energy crisis. Some modification of the permanent extended program to provide increased responsiveness to those temporarily and involuntarily unemployed is desirable.

[The appendix to the prepared statement follows:]

APPENDIX

Endorsements for NAM Testimony on Unemployment Compensation

1. Tennessee Manufacturers Association
2. Tri-State Industrial Association
3. Associated Industries of New York
4. Kansas Association of Commerce and Industry
5. Mississippi Manufacturers Association
6. Merchants and Manufacturers Association (Los Angeles)
7. Utah Manufacturers Association
8. Pennsylvania Manufacturers Association
9. Indiana Manufacturers Association
10. Association of Washington Business
11. Association of Syracuse
12. Nevada Association of Employers
13. Wisconsin Manufactuers Association
14. Iowa Manufacturers Association
15. Association of Commerce and Industry of New Mexico
16. West Virginia Manufacturers Association
17. Carteret Industrial Association (New Jersey)
18. Manufacturers and Employers Association of West Michigan
19. Capital Associated Industries (Raleigh, N.C.)
20. Colorado Association of Commerce and Industry
21. Manufacturers Association of New Haven County (Ct.)
22. Texas Manufacturers Association
23. Associated Industries of Oklahoma
24. Illinois Manufacturers Association
25. Mahoning Valley Industrial Council (Ohio)

26. Minnesota Association of Commerce and Industry
27. Manufacturers Association of Delaware Valley
28. Virginia Manufacturers Association
29. Associated Industries of Missouri
30. Employers Association of Detroit
31. Piedmont Associated Industries
32. Industrial Management Council of Rochester, N.Y.
33. Associated Industries of Minneapolis
34. Connecticut Business and Industries Association
35. South Dakota Manufacturers Association
36. Manufacturers' Association of Berks County (Pa.)
37. Mountain States Employers Council (Denver)
38. Michigan Manufacturers Association
39. Manufacturers Association of Chicago Heights and South Suburbs

Mr. GIBBONS. Thank you.

Mr. Schneebeli.

Mr. SCHNEEBELI. Your statement seems to corroborate a statement made by a previous witness that there are about 700,000 more jobs available today than there were at the beginning of the energy crisis.

I think most people were under the impression there would be fewer jobs. To what do you attribute that apparent paradox?

Mr. HOTTON. It is a difficult question to answer.

Mr. SCHNEEBELI. In which areas are there increased employment?

Mr. HOTTON. I suspect I can answer on behalf of my own company knowing where we have increased employment during this crisis. Orders for hard goods are up substantially. Our long-term order backlog is up substantially for major equipment and manufacturing. Construction has picked up and I think we are seeing an anomaly here where the energy crisis is localized in a few industries and most of the rest of the industries are tending to boom along. It is the capital goods industry in large share.

Mr. GIBBONS. Mr. Burke.

Mr. BURKE. I am looking over your list of members here. I don't see the associated industries of Massachusetts. Are they a part of the NAM.

Mr. HOTTON. They are part of the NAM via membership in the National Industrial Council, an NAM affiliate. They did not respond to our inquiry when we sent this out. This was sent out the latter part of last week and we asked for telephone responses. As of this morning we had 41 responses to this. We did not hear from Massachusetts.

Mr. BURKE. I wondered if any of the Massachusetts employers are complaining about the high unemployment up there and want the Federal Government to step in and give them a little relief?

Mr. HOTTON. Is this unique to Massachusetts?

Mr. BURKE. We have one of the highest unemployment rates.

Mr. HOTTON. Has Massachusetts already used up its extended benefits?

Mr. BURKE. They are under the present law that allows extended benefits to be paid but that will expire at the end of June.

Mr. HOTTON. Your question and answer seems to bear out what we have found in our investigation here that the job layoff situation due to the energy crisis is very localized and sometimes it comes down to communities within States and not entire States, necessarily.

Mr. BURKE. You will find that some of the members of the NAM are suffering in those particular pockets of unemployment because of the high assessment caused by the higher rate of joblessness.

Mr. HOTTON. I suspect you are right on that. I don't have all the details of the NAM study with me, Congressman.

Mr. BURKE. Thank you.

Mr. GIBBONS. Mr. Duncan.

Mr. DUNCAN. In listening to the various individuals testifying today it seems some people are disappointed that the employment record looks good. I want to compliment you for the good statement you have given the committee.

Mr. GIBBONS. Thank you.

Our next witness is Mr. William R. Brown of the Council of State Chambers of Commerce.

STATEMENT OF WILLIAM R. BROWN, ASSOCIATE RESEARCH DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE, APPEARING IN BEHALF OF PAUL P. HENKEL, CHAIRMAN, SOCIAL LEGISLATION COMMITTEE

Mr. BROWN. Mr. Chairman. Mr. Henkel has asked me to substitute for him. I am William R. Brown, associate research director of the Council of State Chambers of Commerce and secretary of the social legislation committee of which Mr. Henkel is chairman.

Mr. Henkel asked me to express his regret that he was at the last minute not able to be here. He has testified before this committee a number of times and was looking forward to doing so again today.

Therefore, I would like to ask that Mr. Henkel's complete statement be put in the record and I will briefly summarize it in my own words.

Mr. GIBBONS. Fine. It will be included in the record at this point.

[The statement follows:]

STATEMENT OF PAUL P. HENKEL ON BEHALF OF MEMBER STATE CHAMBERS OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. Chairman and Members of the House Ways and Means Committee, my name is Paul Henkel and I am Manager of Payroll Taxes for Union Carbide Corporation. I am Chairman of the Social Legislation Committee of the Council of State Chambers of Commerce and I am appearing on behalf of the member State Chambers of Commerce of the Council which are listed at the end of this statement as having endorsed our statement. Accompanying me is Mr. William R. Brown, Associate Research Director of the Council.

FEDERAL STANDARDS

The State Chambers of Commerce of this country have long been in the forefront of the combined State-business opposition to the Federal government imposing unemployment benefit standards upon the States. Those members of your Committee who were Members of the 89th Congress no doubt well remember this opposition to the Federal standards proposed in H.R. 8282 which was the subject of extensive hearings by your Committee in 1965.

The State Chambers also have provided significant leadership in recent years in amending their State laws to give greater benefits to those persons who are unemployed "through no fault of their own" and are seeking suitable employment.

These provisions along with the wage-related benefit system are the basic characteristics of our Federal-State Unemployment "insurance" Program that distinguish it from "Welfare" with which the public sometimes tends to confuse it.

OPPOSITION TO STANDARDS IN TITLE I OF THE ADMINISTRATION PROPOSAL

Therefore, we take strong exception to the Federal standards contained in Title I of the Administration Proposal.

The most significant standard proposed by the Administration is the requirement that the State maximum weekly benefit be at least 66⅔ percent of the average weekly wage of "covered" workers—that is, all workers covered by the UC law—not just claimants for benefits. We disagree with this standard. We believe that it originated as an AFL–CIO goal many years ago—in the mid-50's. It is a theory which, we regret, has been adopted by several past Administrations.

We have many times asked the U.S. Department of Labor to amass statistics from State Employment Agencies as to the number of claimants who receive less than 50% of their average weekly wage. This is in our view a far better measure of adequacy of benefits. It has been our position that a reasonable "objective" would be that 80% of the *claimants* should receive ½ pay as an unemployment benefit. We are puzzled by the fact that the U.S. Department of Labor has never gathered, or at least has never published, these statistics. It is fair to ask why there is such rigid adherence to the currently proposed benefit standard, to the exclusion of other reasonable alternatives.

The U.S. Department of Labor continues to measure improvement in unemployment benefits only against its own adopted standard; and yet a significant fact of such improvement lies half buried in that department's publicized data. On page 4 of this Committee's February 13, 1974 print of information furnished by the Administration it is stated that between 1970 and fiscal year 1973 the number of *claimants* who received less than ½ pay in unemployment benefits dropped from more than 50% to 38.7%. The significant fact is that in this period the number of *claimants* who received 50% or more of their pay in unemployment benefits increased from less than 50% to 62.3%!. Thus, even without an oppressive Federal benefit standard, recent improvements in State laws indicate that the attainment of a more reasonable goal is being steadily accomplished.

Our opposition applies not only to benefit standards in Sec. 101 but also to other standards, such as the one on labor disputes in Sec. 102 which would benefit employers in only two States (New York and Rhode Island). Employers generally in these States would rather accomplish this objective through State legislation. We are opposed to the labor disputes standard as a matter of principle, but it should be noted that the ambiguous language in this provision could cause difficult problems for all States—for example, who is a "striker" and who is an "innocent bystander?"

THE CASE FOR STATE CONTROL

State determination of maximum unemployment benefits is a basic element of the Federal-State employment security system. Federal control of maximum benefits through a Federal standard will undermine the whole system. Those of us who have had first-hand experience in amending State unemployment benefit laws know that it is very difficult to tighten up the State laws against abuses so that only those who are unemployed through "no fault of their own" receive benefits unless it is done at the same time maximum benefits are increased. Thus, as a practical matter a Federal benefit standard may contribute to adding greater validity to the popular conception of unemployment benefits as "rocking chair" money.

The States are in a better position to determine the adequacy of benefits in their areas than is the Federal government. As members of this Committee well know, there is considerable difference in the economies of the various States. With these great economic variations which affect unemployment benefit needs,

the decisions as to maximum benefit amounts can best be made on a State-by-State basis and not in Washington for the country as a whole.

RECENT SIGNIFICANT IMPROVEMENTS IN STATE PROGRAMS

Since mid-1969 every State has provided for one or more increases in U.C. benefit maximums. At least 10 States have enacted legislation this year providing for higher benefit levels and several others are expected to do so before the end of the year. The increases provided since 1969 range from a low of $10 to a high of $54 (see Table I). Thirty-six States have raised their maximum weekly benefit amount by $20 or more and 17 of these states (Ala., Alas., Ark., Conn., Dela., D.C., Ill., Ind., Mass., Nev., Ohio, Pa., S.C., Utah, Va., Wash., West Va.) have raised their maximums by $30 or more. Percentagewise these increases ranged from a low of 15% in New York (N.Y. is expected to raise its maximum this year) to a high of 93% in Washington. Twenty states (Ala., Alas., Ark., Dela., D.C., Fla., Ill., Ind., Mass., Miss., Mont., Nev., Ohio, Okla., Pa., S.C., Utah, Va., Wash., West Va.) have raised their maximums by 50% or more.

The following summary comparing the wage replacement value of U.C. benefits maximums payable among the states currently and as of July 1969 demonstrates that the states have made substantial progress in raising their benefit maximums. In 1969 only 5 States had weekly benefit maximums replacing 60% or more of their average weekly wage. Currently, at least 20 States pay maximum benefits equaling 60% or more of the average state wage. On the low side of the scale, it will be noted that in 1969 thirty states paid maximum weekly benefits equaling less than 50% of their average state wage. That number has now been reduced to only 8 states and at least 6 of these states (Ariz., La., Mich., Mo., N.Y., Okla.) are expected to increase their maximum benefit levels before the end of this year.

PERCENT OF AVERAGE WEEKLY WAGE REPLACED BY MAXIMUM WEEKLY BENEFITS PAYABLE AMONG THE STATES, JULY 1969 AND APRIL 1974 [1]

Percent of average weekly wages	Number of States	
	July 1969	April 1974
65 or more	4	14
60 to 64	1	6
55 to 59	0	7
50 to 54	17	17
45 to 49	12	4
40 to 44	13	2
Under 40	5	2

[1] Based on maximum including allowance for dependents.

Source: UBA Research Division.

The States have made substantial progress in raising their U.C. benefit maximums since mid-'69. Although only 7 states actually meet the recommended 66⅔% level, several others are very close. As a further demonstration of progress, between '69 and '72 (latest complete data available) average U.C. benefit payments increased 21% compared to increases of 14% in the Consumer Price Index and 15% in average weekly wages in covered employment. Also we would again note that data has not yet been made available to demonstrate that maximum weekly benefit levels must be set at 66⅔% of the state average wage to insure that 80% of all workers will be entitled to a benefit equal to at least 50% of their former earnings.

TABLE I.—CHANGES IN UNEMPLOYMENT COMPENSATION MAXIMUM WEEKLY BENEFIT LEVELS*

State	Maximum weekly benefit amounts		Increase	
	July 6, 1969	Apr. 1, 1974	Amount	Percent
Alabama	$44	[2] $75	$31	70
Alaska	60–85	90–120	30–35	50–41
Arizona	50	60	10	20
Arkansas	47	79	32	68
California	65	90	25	38
Colorado	71	90	19	27
Connecticut	76–114	98–147	22–33	29–29
Delaware	55	85	30	55
District of Columbia	63	117	54	86
Florida	40	64	24	60
Georgia	47	[2] 70	23	49
Hawaii	72	98	26	36
Idaho	56	78	22	39
Illinois	42–70	60–105	18–35	43–50
Indiana	40–52	[3] 60–100	20–48	50–92
Iowa	58	75	17	29
Kansas	55	73	18	33
Kentucky	52	70	18	35
Louisiana	50	70	20	40
Maine	52	65	13	25
Maryland	60	[2] 89	29	48
Massachusetts	[1] 57	90–135	[1] 33	[1] 58
Michigan	46–75	56–92	10–16	22–21
Minnesota	57	85	28	49
Mississippi	40	[2] 60	20	50
Missouri	53	67	14	26
Montana	42	65	23	55
Nebraska	48	[5] 74	20	42
Nevada	47–67	80	33–13	70–19
New Hampshire	54	80	26	48
New Jersey	65	85	20	31
New Mexico	53	67	14	26
New York	65	75	10	15
North Carolina	50	[6] 64	14	28
North Dakota	51	68	17	33
Ohio	47–66	[9] 77–114	30–48	64–73
Oklahoma	38	60	22	58
Oregon	55	[7] 76	21	38
Pennsylvania	60	96–104	36–44	60–73
Puerto Rico	36	50	14	39
Rhode Island	56–76	82–102	26–23	46–34
South Carolina	50	83	33	66
South Dakota	41	[8] 59	18	44
Tennessee	47	[3] 70	23	49
Texas	45	63	18	40
Utah	54	87	33	61
Vermont	56	[10] 77	21	38
Virginia	48	[2] 87	39	81
Washington	42	81	39	93
West Virginia	49	[4] 84	35	71
Wisconsin	66	[11] 92	26	39
Wyoming	53	67	14	26

[1] Maximum augmented amount not given since augmentation was limited only by claimant's average weekly wage in 1969.
[2] Effective July 1, 1974.
[3] Effective July 7, 1974.
[4] Percentage used in escalation will be increased from 55 percent to 66⅔ percent effective July 1, 1974.
[5] Effective 3 months after adjournment.
[6] Percentage used in escalator will be increased from 50 percent to 66⅔ percent effective Oct. 1, 1974.
[7] Percentage used in escalator will be increased from 50 percent to 55 percent effective Sept. 30, 1974.
[8] Percentage used in escalator will be increased from 50 percent to 56 percent effective July 1, 1974.
[9] Effective Jan. 1, 1975 maximum weekly benefit is automatically increased by any percentage increase in the State's average weekly wage.
[10] Effective July 1, 1974, percentage used in escalator will be increased from 50 percent to 60 percent (approximately $81).
[11] Percentage used in escalator will be increased from 60 percent to 63 percent ($99) effective July 1, 1974, and to 66⅔ percent ($107) effective Jan. 1, 1975.
*When 2 amounts are given, higher amount includes allowance for dependents.

Source: UBA Research Division.

Despite these increases in benefit maximums since mid-'69, only 7 jurisdictions (Ark.-D.C.-Hawaii-N.C.-S.C.-W.Va.-Wisc.) meet the President's recommendation that benefit maximums should equal at least two-thirds of the State average wage. If consideration is given for the payment of dependents' allowances, 5 other States (Conn.-Mass.-Ohio-Pa.-R.I.) pay maximums equal to at least two-thirds of the average State wage. In addition, both Utah and Virginia have maximums replacing 65% of the State average wage.

SUPPORT FOR TAX AND REIMBURSEMENTS PROPOSALS

There are two provisions in Title I of the Administration Proposals which merit the consideration of the Committee: (1) Sec. 106 substituting the "pro rata" method for the present "additional cost" method of computing Federal reimbursements to State funds for benefits paid to ex-servicemen and former Federal employees, and (2) Sec. 105 reinstating for two years through 1975 the increase in the net Federal unemployment tax from 0.5 percent to 0.58 percent to repay advances from the Treasury for the Emergency Unemployment Compensation program. However, the extension of the 0.03 percent surtax is not acceptable unless it is accompanied by an acceptable revision in the trigger for extending benefits.

The reinstatement of the net Federal tax to 0.58 percent can be justified as desirable for maintaining the fiscal integrity of the unemployment benefit program. However, such action should be combined with rejection of the proposed Special Unemployment Compensation Programs contained in Title II of the Administration Proposals and Title I of H.R. 13214. The area-by-area triggers in these special program proposals would be most difficult to administer and certainly would result in inequities for the unemployed who might be located just outside of an arbitrarily drawn area boundary. Rather than enacting more special programs, we feel the proper approach is to revise the permanent Federal-State extended Unemployment Compensation program.

REVISION OF PERMANENT EXTENDED BENEFIT PROGRAM

Under the Permanent Federal-State Extended Unemployment Compensation Program enacted in 1970 (Public Law 91–373) which we supported, the Federal government and the States each pay 50 percent of the cost of up to an additional 13 weeks of benefits beyond the regular State benefits (commonly 26 weeks). For the extended benefits to "trigger in" in a State the 13-week insured unemployment rate must be *both* at least 4 percent *and* 120 percent of the average rate for the corresponding 13-week period in the preceding two calendar quarters. In practice difficulty has been experienced with the 120 percent requirement because even if a State has a sustained high rate of unemployment, it will eventually become ineligible for the extended benefits unless its insured unemployment rate is not only high but is actually continuing to rise so that it remains 20 percent higher than it was in the two pervious years.

The fact that Congress has acted 4 times in the last year and a half to modify the trigger requirements of the permanent extended benefits act for temporary periods demonstrates the need for revising the trigger provisions on a permanent basis. We believe that the most promising method of revising the State trigger would be to provide, as suggested by some State employment security administrators, for a ceiling in the insured unemployment rate above which the 120% requirement would be inoperative. Thus the 120 percent requirement would continue to apply only when the insured unemployment rate in the State was between 4 percent and a ceiling, for example, 6 percent. But, if the insured rate went over the 6 percent ceiling, the State could be authorized to waive the 120 percent requirement and trigger in the Federal-State extended benefit program.

CONCLUSION

In conclusion, we recognize the need to revise the trigger in the permanent extended benefit program. The State Chambers, however, do not believe that there is any need for Federal benefit standards and will continue to strongly oppose such Federal standard proposals. In fact, the need now is far less than it was in 1969. States are best able to respond to the varying needs and demands of their citizens in this area. A Federal standard necessarily applies uniformally to all States regardless of the situation within the particular State. The ability

of the States to meet the differing circumstances of their citizens and economies is the essence of the Federal-State unemployment compensation system. The imposition of a Federal maximum benefit standard on the States will effectively destroy this very fundamental aspects of the Federal-State system. It will also seriously impair the responsibility and authority of the Executive and Legislative branches of the States in the matter of unemployment benefits. This runs counter to the principle of "New Federalism" which we support.

The following State Chambers of Commerce have endorsed this statement:

Alabama Chamber of Commerce
Colorado Association of Commerce & Industry
Connecticut Business & Industry Association
Delaware State Chamber of Commerce
Florida State Chamber of Commerce
Georgia Chamber of Commerce
Indiana State Chamber of Commerce
Kansas Association of Commerce and Industry
Kentucky Chamber of Commerce
Maine State Chamber of Commerce
Maryland State Chamber of Commerce
Michigan State Chamber of Commerce
Minnesota Association of Commerce & Industry
Mississippi Economic Council
Montana Chamber of Commerce
New Jersey State Chamber of Commerce
Empire State Chamber of Commerce
Ohio Chamber of Commerce
Oklahoma State Chamber of Commerce
Pennsylvania Chamber of Commerce
South Carolina Chamber of Commerce
East Texas Chamber of Commerce
Greater South Dakota Association
South Texas Chamber of Commerce
West Texas Chamber of Commerce
Lower Rio Grande Valley Chamber of Commerce
Virginia State Chamber of Commerce
West Virginia Chamber of Commerce
Wisconsin State Chamber of Commerce

Mr. BROWN. The last time I testified before this committee on unemployment compensation was back in 1965. Those of you who have been on the committee for some time recall that then you had quite extensive hearings on H.R. 8282, which turned out to be a very controversial proposal.

You will recall that the State chambers of commerce were strongly opposed to the Federal standards. The State chambers are still strongly opposed to Federal unemployment compensation standards. They join with the State administrators in opposing such standards generally.

The State chambers also, during the years that have intervened, have provided significant leadership in amending their State laws to give greater benefits to those persons who are unemployed through no fault of their own and are seeking suitable employment.

These provisions along with the wage-related benefit system are the basic characteristics of our Federal-State unemployment insurance program that distinguish it from welfare with which the public sometimes tends to confuse it.

We take strong exception to the Federal standards contained in title I of the administration proposal. This opposition applies not only to the benefit standards but also the labor disputes standard in section 201. This would benefit employers only in two States: New York and Rhode Island.

Employers generally in these States would rather accomplish this objective through State legislation. We are opposed to the labor disputes standard as a matter of principle, but it should be noted that the ambiguous language in this provision could cause difficult problems for all States, for example, who is a "striker" and who is an "innocent bystander?"

THE CASE FOR STATE CONTROL

State determination of maximum unemployment benefits is a basic element of the Federal-State employment security system. Those of us who have had firsthand experience in amending State unemployment benefits laws know that it is very difficult to tighten up the State laws against abuses so that only those who are unemployed through no fault of their own receive benefits unless it is done at the same time maximum benefits are increased.

Thus, as a practical matter a Federal benefit standard may contribute to adding greater validity to the popular conception of unemployment benefits as "rocking chair" money.

I don't personally consider them rocking chair money but you know what the popular conception is. I think it is clear from the testimony you received in the last 2 days from the major union witnesses, AFL–CIO and UAW, that they want to go further than the administration is proposing in the way of standards for the system.

They would like you to tie the States' hands in being able to control abuses of the unemployment benefit system, to make sure that those who are truly employed through no fault of their own receive adequate benefits and others who are not unemployed through no fault of their own do not.

The witnesses for the UAW and AFL–CIO have indicated not only that the administration's proposed benefit standards are inadequate but also there should be standards on eligibility, disqualifications, and duration.

Now, if Congress takes over control of all of these areas of the Federal-State unemployment compensation system, you will have effectively taken over control of all the basic aspects of the benefit side of unemployment compensation.

The States will be very hard put to not only respond to the desires of their own citizens but also to control abuses in the system.

The States, we feel, are in a better position to determine the adequacy of benefits in their areas than is the Federal Government.

As members of this committee well know, there is considerable difference in the economies of the various States. With these great economic variations which affect unemployment benefit needs, the decisions as to maximum benefit amounts can best be made on a State-by-State basis and not in Washington for the country as a whole.

RECENT SIGNIFICANT IMPROVEMENTS IN STATE PROGRAMS

Since mid-1969 every State has provided for one or more increases in unemployment compensation benefit maximums. At least 10 States have enacted legislation this year providing for higher benefit levels and several others are expected to do so before the end of the year.

The increases provided since 1969 range from a low of $10 to a high of $54. The action of the various States is displayed in table I of Mr. Henkel's testimony. Thirty-six States have raised their maximum weekly benefit amount by $20 or more and 17 of these States—Alabama, Alaska, Arkansas, Connecticut, Delaware, District of Columbia, Illinois, Indiana, Massachusetts, Nevada, Ohio, Pennsylvania, South Carolina, Utah, Virginia, Washington, West Virginia—have raised their maximums by $30 or more.

Percentagewise these increases ranged from a low of 15 percent in New York—New York is expected to raise its maximum this year—to a high of 93 percent in Washington.

Twenty States—Alabama, Alaska, Arkansas, Delaware, District of Columbia, Florida, Illinois, Massachusetts, Mississippi, Montana, Nevada, Ohio, Oklahoma, Pennsylvania, South Carolina, Utah, Washington, West Virginia—have raised their maximum's by 50 percent or more.

On page 5 of Mr. Henkel's testimony there is a table of the wage replacement value of unemployment compensation maximums payable among the States currently and as of July 1961.

This demonstrations that the States have made substantial progress in raising their benefit maximums. In 1969 only five States had weekly benefit maximums replacing 60 percent or more of the average weekly wage.

Currently at least 20 States pay maximum benefits equal to 50 percent or more of the average State wage.

On the low side of the scale it will be noted that, in 1969, 30 States paid maximum weekly benefits equaling less than 50 percent of the State wage. That number has now been reduced to only eight States and at least six of these States—Arizona, Louisiana, Michigan, Missouri, Montana, New York, and Oklahoma—are expected to increase their maximum benefit levels before the end of this year.

The States have made substantial progress in raising their unemployment compensation benefit maximums since mid-1969. Although only seven States actually meet the recommended 66⅔-percent level, several others are very close. As a further demonstration of progress, between 1969 and 1972—latest complete data available—average unemployment compensation benefit payments increased 21 percent compared to increases of 14 percent in the Consumer Price Index and 15 percent in average weekly wages in covered unemployment.

Also, we would again note that data have not yet been made available to demonstrate that maximum weekly benefit levels must be set at 66⅔ percent of the State average wage to insure that 80 percent of all workers will be entitled to a benefit equal to at least 50 percent of their former earnings.

Despite these increases in benefit maximums since mid-1969, only seven jurisdictions—Arkansas, District of Columbia, Hawaii, North Carolina, South Carolina, West Virginia, and Wisconsin—meet the President's recommendation that benefit maximums should equal at least two-thirds of the State average wage.

If consideration is given for the payment of dependents' allowances, five other States—Connecticut, Massachusetts, Ohio, Pennsylvania, and Rhode Island—pay maximums equal to at least two-thirds of the

average State wage. In addition, both Utah and Virginia have maximums replacing 65 percent of the State average wage.

SUPPORT OF TAX AND REIMBURSEMENTS PROPOSALS

There are two provisions in title I of the administration proposals which merit the consideration of the Committee:

1. Section 196 substituting the "pro rata" method for the present "additional cost" method of computing Federal reimbursements to State funds for benefits paid to ex-servicemen and former Federal employees, and,

2. Section 105 reinstating for 2 years, through 1975, the increase in the net Federal unemployment tax from 0.5 percent to 0.58 percent to repay advances from the Treasury for the emergency unemployment compensation program. However, the extension of the 0.03 percent surtax is not acceptable unless it is accompanied by an acceptable revision in the trigger for extending benefits.

The reinstatement of the net Federal tax to 0.58 percent can be justified as desirable for maintaining the fiscal integrity of the unemployment benefit program. However, such action should be combined with rejection of the proposed special unemployment compensation programs contained in title II of the administration proposals and title I of H.R. 13214. The area-by-area triggers in these special program proposals would be most difficult to administer and certainly would result in inequities for the unemployed who might be located just outside of an arbitrarily drawn area boundary. Rather than enacting more special programs, we feel the proper approach is to revise the permanent Federal-State extended unemployment compensation program.

I think the suggestions given to you this morning by the Panel of State Unemployment Security Administrators for revising the trigger—especially Mr. Harding's suggestions—merit the serious consideration of this committee.

This is an area where we believe that action should be taken, and hopefully this year, in order to correct the problem that develops from a State not being able to meet the 20-percent trigger even though they have met the 4-percent trigger due to the fact that they have a sustained high unemployment.

The fact that Congress has acted four times in the last year and a half to modify the trigger requirements of the permanent extended benefits act for temporary periods demonstrates the need for revising the trigger provisions on a permanent basis.

We believe that the most promising method of revising the State trigger would be to provide, as suggested by some State employment security administrators, for a ceiling in the insured unemployment rate above which the 120-percent requirement would be inoperative.

Thus, the 120-percent requirement would continue to apply only when the insured unemployment rate in the State was between 4 percent and a ceiling, for example, 6 percent. But, if the insured rate went over the 6-percent ceiling, the State could be authorized to waive the 120-percent requirement and trigger in the Federal-State extended benefit program.

CONCLUSION

In conclusion, we recognize the need to revise the trigger in the permanent extended benefit program. The State chambers, however, do not believe that there is any need for Federal benefit standards and will continue to strongly oppose such Federal standard proposals.

In fact, the need now is far less than it was in 1969. States are best able to respond to the varying needs and demands of their citizens in this area. A Federal standard necessarily applies uniformally to all States regardless of the situation within the particular State.

The ability of the States to meet the differing circumstances of their citizens and economies is the essence of the Federal-State unemployment compensation system. The imposition of a Federal maximum benefit standard on the States will effectively destroy this very fundamental aspect of the Federal-State system. It will also seriously impair the responsibility and authority of the executive and legislative branches of the States in the matter of unemployment benefits. This runs counter to the principle of "New Federalism" which we support.

Mr. GIBBONS. Thank you, sir.

Are there any questions?

We thank you very much for your testimony today.

The next witness is Dr. Helen Wise of the National Education Association.

Will you introduce those who accompany you?

You may proceed as you wish.

STATEMENT OF DR. HELEN D. WISE, PRESIDENT, NATIONAL EDUCATION ASSOCIATION; ACCOMPANIED BY CHARLES E. OLSON, LEGISLATIVE SPECIALIST, AND JOSEPH FALZON, RESEARCH SPECIALIST

Dr. WISE. I am Helen D. Wise, president of the National Education Association. With me today are Charles E. Olson, NEA legislative specialist, and Joseph Falzon, NEA research specialist.

Yesterday we secured additional information which we feel is important so we have taken the liberty of expanding our testimony slightly, and respectfully I request your permission to use our revised testimony.

Mr. GIBBONS. You may. Your tables will appear in the record.

Dr. WISE. NEA is the largest professional organization in the country, representing some 1.5 million teachers and other educators. NEA has 50 State affiliates and over 9,000 local units.

We are grateful to Chairman Mills and members of the committee for this opportunity to discuss the need for mandatory inclusion of public school teachers under unemployment compensation protection.

At the 1973 NEA representative assembly, the 8,000 voting delegates unanimously adopted the following resolution:

> 73-37 Unemployment Compensation. The National Education Association supports the inclusion of educators in unemployment compensation legislation at the State and Federal level.

Present Federal law provides that each State may exceed the minimums established by the Federal Unemployment Compensation Stat-

ute. This allows States to elect mandatory or permissive coverage for a wide range of non-Federal public employees.

Our State affiliates have been active in the past several years attempting to secure State legislation to allow unemployment protection for teachers in their States.

Even though many States provide "elective" coverage and a few States mandate coverage, on the whole this approach has not resolved the problem of providing mandatory protection to teachers during periods of temporary unemployment. It is for this reason that NEA is seeking mandatory Federal coverage for teachers under the existing Federal Unemployment Tax Act (ch 23 IRC of 1954).

Traditionally, the teaching profession has not suffered from high unemployment. However, in the past several years there has been a significant decrease in the number of teaching positions which has resulted in greater teacher unemployment. We do not believe there is an overabundance of teachers but there is presently a definite shortage of teaching positions. At this point we will not argue the cause of the shortage of jobs, but there is an ever increasing problem.

The greatest need for coverage under the existing act is for those teachers who will be subjected to a reduction in force or "laid off" because of a reduction in the school budget, many times resulting from the loss of a millage election, decreasing enrollment in the public schools, or a decision by a local school board to terminate a specific program.

We do not seek coverage for those teachers not presently employed who are seeking positions within a public school system. We are aware that these teachers would not be eligible for coverage.

Heretofore, temporarily unemployed teachers have been able to secure employment elsewhere. However, most teaching positions, when available, are filled in the early spring, creating hardships for a number of unemployed teachers until they secure another position.

With the restructuring of Federal aid to education and the decreasing number of school-age children, we feel that there will be a greater need in the future for unemployment compensation protection for teachers to tide them over until they can secure other employment.

Unemployment caused by a reduction in force—RIF—is on the increase. Attrition still compensates for many of the lost teaching positions. Teachers are often on a tenuous employment basis in the spring of each year because in many States voters must approve millage levies.

In 1971 more than 1,200 teachers in the State of Washington were temporarily unemployed because of a defeat of a millage election in their school district. Each year brings a repetition of this situation. Teachers in these districts and others like them are badly shaken since they know that few who are RIF'd will be able to secure jobs immediately. These teachers and their families need the security of a temporary subsistence until new employment is found.

As a further complication of the issue, teachers may be employed by one of three political jurisdictions. Those teachers employed in the States of Alaska and Hawaii are State employees and many teachers are employed by the Federal Government to teach in its overseas and

Bureau of Indian Affairs schools. By far the greatest number of teachers are employed by local school districts.

Many teachers employed by local school jurisdictions have an additional problem in gaining unemployment compensation protection. Twenty-nine States allow school boards to make decisions in financial matters including budget, revenues, expenditures, and acquisitions of property which are not subject to ratification of a higher legislative body. However, in many of these States voter approval is required for levies or adoption of the school budget. This means that 21 States either have a mixed system of fiscal responsibility or are totally dependent for revenue and expenditures on a higher legislative body.

If a local association desires unemployment compensation protection for its members within a State which does not allow the school board to make an independent decision, the association must not only make its arguments to the local school board but also must win its argument with the city or county council. Again we emphasize that virtually all local governmental units refuse coverage for teachers unless it has been specifically negotiated by the teacher association or mandated by State statute.

In 1970 the Congress extended mandatory coverage to employees of public hospitals and faculty members in institutions of higher education. Faced with the possibility of high, short-term unemployment among college faculty, NEA wholeheartedly support this effort. We now seek the same benefits for the public school teacher who is faced with similar employment uncertainties.

We note with dismay that of the 28 States which provide only elective coverage for local governmental employees, 11—almost half—mandate protection for State employees.

Even more disturbing, there are six States that provide mandatory coverage for State employees but grant no provision for protection of local governmental employees even on an elective basis.

In several States local school boards have elected coverage for noncertificated personnel while refusing to extend coverage to teachers. Yet, in every State our colleagues in higher education are afforded mandatory unemployment compensation protection.

To show a national perspective we have attached two tables. In 1969 there were approximately 1.9 million teachers employed in the United States. Of these, 350,000, or 19.3 percent, separated from their employers. Of these, 62,579, or 3.4 percent of the total teacher work force were dismissed or laid off.

In 1971 the separation percentage had grown to 21.7 percent. In that same year NEA did a study of the reduction in teaching force in 63 major cities. Due to reduction in force caused by either a decline in enrollments or a loss in school revenue, 6.5 percent lost their jobs. Many of these teachers found other employment but unfortunately there has been no collection of hard data which show the number of teachers who have been able to find employment.

We can only state that in California last year, 1973 and 1974, 860 teachers were unable to secure employment elsewhere and were temporarily unemployed for several months.

These are the teachers who must have the protection of unemployment compensation. Presently, 28 States allow local governmental units to elect at their discretion unemployment compensation protection for their employees. However, it has been our experience that unless the teacher association has negotiated protection under the State unemployment compensation plan school boards do not voluntarily elect coverages. In only seven States is there mandatory coverage for local employees including teachers. Only 15 percent of the Nation's teachers are presently covered.

Since so few teachers have been afforded unemployment compensation the NEA has established a Dushane fund for teacher defense which pays for litigation and aids teachers by providing living costs during this temporary unemployment. Recipients are screened and receive an interest free loan only if the case is meritorious. Many of these cases result from a RIF.

NEA is trying to help these teachers and we urge Congress to afford protection to these teachers. Public school teachers want the same administrative and dispute settlement mechanism provided college faculty members and those in the private sector.

We propose that the solution to our dilemma would be the broadening of the definition of institutions of higher education—23 U.S.C. 3309(d). We feel that this is a reasonably simple approach and would provide for public school teachers the same benefits now afforded to college faculty.

We have attached the wording of a recommended amendment which would broaden the definition and make the necessary technical changes within existing statute.

In addition to the virtual elimination of elementary and secondary school teachers from the protection of the act we have discovered that there are a few teachers in postsecondary, nonbacculaureate program schools who are exempted from coverage.

The existing law grants coverage only to those institutions that provide course work leading toward a baccalaureate degree. There are some postsecondary vocational schools which are tax supported that are excluded from obtaining unemployment compensation for their employees. Our amendment would provide coverage for these teachers.

The present statute allows governmental agencies the option of reimbursing the State fund or making contributions to it. We feel that this option should be available to boards of education.

Mr. Chairman, we appreciate this opportunity to testify before this committee. We have attached tables and other addenda which we feel will be helpful to the committee in its consideration of mandatory coverage of public school teachers under the Federal Unemployment Tax Act.

[The prepared statement follows:]

STATEMENT OF DR. HELEN WISE, PRESIDENT, NATIONAL EDUCATION ASSOCIATION

Mr. Chairman and members of the committee, I am Helen D. Wise, President of the National Education Association. With me today are Charles E. Olson, NEA Legislative Specialist, and Joseph Falzon, NEA Research Specialist.

NEA is the largest professional organization in the country, representing some 1.5 million teachers and other educators. NEA has 50 state affiliates and over 9,000 local units. We are grateful to Chairman Mills and members of the Committee for this opportunity to discuss the need for mandatory inclusion of public school teachers under unemployment compensation protection.

At the 1973 NEA Representative Assembly, the 8,000 voting delegates unanimously adopted the following resolution:

"73–37 *Unemployment Compensation.* The National Education Association supports the inclusion of educators in unemployment compensation legislation at the state and federal level."

Present federal law provides that each state may exceed the minimums established by the federal unemployment compensation statute. This allows states to elect mandatory or permissive coverage for a wide range of non-federal public employees. Our state affiliates have been active in the past several years attempting to secure state legislation to allow unemployment protection for teachers in their states. Even though many states provide "elective" coverage and a few states mandate coverage, on the whole this approach has not resolved the problem of providing mandatory protection to teachers during periods of temporary unemployment. It is for this reason that NEA is seeking mandatory federal coverage for teachers under the existing Federal Unemployment Tax Act (Ch 23 IRC. of 1954).

Traditionally, the teaching profession has not suffered from high unemployment. However, in the past several years there has been a significant decrease in the number of teaching positions which has resulted in greater teacher unemployment. We do not believe there is an overabundance of teachers but there is presently a definite shortage of teaching positions. At this point we will not argue the cause of the shortage of jobs, but we do realize teachers have an ever increasing problem.

The greatest need for coverage under the existing act is for those teachers who will be subjected to a reduction in force or "laid off" because of a reduction in the school budget, many times resulting from the loss of a millage election, decreasing enrollment in the public schools, or a decision by a local school board to terminate a specific program. We do not seek coverage for those teachers not presently employed who are seeking positions within a public school system. We are aware that these teachers would not be eligible for coverage.

Heretofore, temporarily unemployed teachers have been able to secure employment elsewhere. However, most teaching positions, when available, are filled in the early spring, creating hardships for a number of unemployed teachers until they secure another position.

With the restructuring of federal aid to education and the decreasing number of school age children, we feel that there will be a greater need in the future for unemployment compensation protection for teachers to tide them over until they can secure other employment.

Unemployment caused by a reduction in force (RIF) is on the increase. Attrition still compensates for many of the lost teaching positions. Teachers are often on a tenuous employment basis in the spring of each year because in many states voters must approve millage levies. In 1971 more than 1200 teachers in the States of Washington were laid off because of the defeat of a levy election in their school district. Over 1000 of these were returned to employment through legal intervention and subsequent passage of a millage levy. However, many of these teachers were temporarily unemployed for several months and were not afforded unemployment compensation. Several were unemployed for over a year. Each year brings a repitition of this situation. Teachers in these districts, and others like them, are badly shaken since they know that few who are RIFed will be able to secure jobs immediately. These teachers and their families need the security of a temporary subsistence until new employment is found.

To complicate the issue, teachers may be employed by one of three political jurisdictions. Those teachers employed in the states of Alaska and Hawaii are state employees and many teachers are employed by the federal government to teach in its Overseas and Bureau of Indian Affairs schools. By far the greatest number of teachers are employed by local school districts.

Many teachers employed by local school jurisdictions have an additional problem in gaining unemployment compensation protection. 29 states allow school boards to make decisions in financial matters including budget, revenues, expenditures, and acquisitions of property which are not subject to ratification of a higher legislative body. However, in many of these states voter approval is required for levies or adoption of the school budget. This means that 21 states either have a mixed system of fiscal responsibility or are totally dependent for revenue and expenditures on a higher legislative body. (Appendix B shows the degree of fiscal responsibility of school boards in the various states.) If a local association desires unemployment compensation protection for its members within a state which does not allow the school board to make an independent decision, the association must not only make its arguments to the local school board but also must win its argument with the city or county council. Virtually all local governmental units refuse coverage for teachers unless it has been specifically negotiated by the teacher association or mandated by state statute.

In 1969, the Congress extended mandatory coverage to employees of public hospitals and faculty members in institutions of higher education. Faced with the possibility of high, short-term unemployment among college faculty, NEA wholeheartedly supported this effort. We now seek the same benefits for the public school teacher who is faced with similar employment uncertainties.

We note with dismay that of the 28 states which provide only elective coverage for local governmental employees, 11—almost half—*mandate* protection for state employees. Even more disturbing, there are six states that provide mandatory coverage for state employees but grant *no provision for protection* of local governmental employees even on an elective basis. In several states local school boards have elected coverage for non-certificated personnel while refusing to extend coverage to teachers. Yet, in every state our colleagues in higher education are afforded mandatory unemployment compensation protection.

To show a national perspective on the problem we have attached two tables (Appendix E and F). In 1969 there were approximately 1.9 million teachers employed in the United States. Of these 350,000 or 19.3% separated from their employer. Of these 62,579 or 3.4% of the total teacher work force were dismissed or laid off. In 1971 the separation percentage had grown to 21.7%. In 1971 NEA did a study of the reduction in teaching force in 63 major cities. 5,524 or 6.5% lost their jobs due to reduction in force caused by either a decline in enrollments or a loss in school revenue. Many of these teachers found other employment. Unfortunately there has been no collection of hard data which show the number of teachers who were unable to find employment. We can only state that in California last school year (1973–74) 860 teachers were unable to secure employment elsewhere and were temporarily unemployed for several months. These are the teachers who must have the protection of unemployment compensation.

Presently twenty-eight states allow local governmental units to elect, at their discretion, unemployment compensation protection for their employees. However, it has been our experience that unless the teacher association has negotiated protection under the state unemployment compensation plan, school boards do not voluntarily elect coverage. In only seven states is there mandatory coverage for local employees, including teachers (Appendix A). Only 15% of the nation's teachers are presently covered. Since few teachers have been afforded unemployment compensation, NEA established a DuShane Fund for teacher defense which pays for litigation and aid teachers to provide living costs during their temporary unemployment. Recipients are screened and receive aid in the form of an interest free loan only if there is need and the case is meritorious. Many of these cases result from a reduction in force. However, even in those cases where the teacher has been dismissed for cause, if the case is being contested most state laws would permit the teacher to receive unemployment compensation. Last year NEA's DuShane Fund expended between $350,000 and $400,000 in interest free loans for living expenses. Many of these teachers received payments for only a few months while temporarily unemployed. NEA as a professional organization is attempting to help its members meet their obligations during periods of temporary unemployment. We urge Congress to extend coverage to these teachers.

Public school teachers desire protection comparable to that afforded other workers. Public school teachers want the same administrative and dispute settlement mechanism provided to college faculty members and those workers in the private sector. In other words, Mr. Chairman, we desire equity in treatment and coverage.

We propose that the solution to our dilemma would be the broadening of the definition of institutions of higher education (23 U.S.C. 339(d)). We feel that this is a reasonably simple approach and would provide for public school teachers the same benefits now afforded to college faculty. We have attached the wording of a recommended amendment which would broaden the definition and make the necessary technical changes within the existing statute (Appendix D).

In addition to the virtual elimination of elementary and secondary school teachers from the protection of the act we have discovered that there are a few teachers in post-secondary, nonbaccalaureate program schools who are exempted from coverage. The existing law grants coverage only to those institutions that provide course work leading toward a baccalaureate degree. There are some post-secondary vocational schools which are tax supported that are excluded from obtaining unemployment compensation for their employees. Our amendment would provide coverage for these teachers.

Mr. Chairman, we appreciate this opportunity to testify before this Committee. We have attached tables and other addenda which we feel will be helpful to the Committee in its consideration of mandatory coverage of public school teachers under the Federal Unemployment Tax Act.

APPENDIX A

TABLE 104.—COVERAGE OF SERVICE FOR STATE AND LOCAL GOVERNMENTS[1]

State	Mandatory		Elective		Benefits financed by—		Financing benefits for State hospitals and colleges[8]	
	State	Local	State	Local	Contributions	Reimbursement	Choice	Mandatory reimbursement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Alabama		(2)				X		X[7]
Alaska			X	X	X		X	
Arizona			X	X	(3)	(3)	X	
Arkansas	X				(3)	(3)	X	
California	(2)	(2)	X	X	(3)	(3)	X	
Colorado							X	
Connecticut	X	X			(3)	(3)		X.
Delaware	X			X		X	X	
District of Columbia			X			X		X.
Florida	X			X	X			X.
Georgia							X	
Hawaii	X	X				X		X.
Idaho	X	(2)				X		X.
Illinois	X					X		X.[7]
Indiana		(2)			X		X	
Iowa	X					X	X	
Kansas		X		X		X		X.
Kentucky			X	X	X		X	
Louisiana	X			X	(3)	(3)	X	
Maine								X.
Maryland	(2)		X	X	X			X.
Massachusetts			(5)			X		X.
Michigan	X			X		X		X.
Minnesota	X	X				X		X.
Mississippi							X	
Missouri[4]			X[6]	X[6]	X		X	
Montana	X[12]					X[10]		X.
Nebraska	X[11]			X		X		X.
Nevada			X	X	X			X.
New Hampshire	X			X		X		X.[9]

See footnotes at end of table.

TABLE 104.—COVERAGE OF SERVICE FOR STATE AND LOCAL GOVERNMENTS[1]—Continued

State	Mandatory		Elective		Benefits financed by—		Financing benefits for State hospitals and colleges[8]	
	State	Local	State	Local	Contributions	Reimbursement	Choice	Mandatory reimbursement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
New Jersey	(2)	X			X			X.
New Mexico							No provision.	No provision.
New York	X	(2)		X	(3)	(3)	X	
North Carolina							X	
North Dakota			X	X		X	X	
Ohio	X	X				X		X.
Oklahoma	X					X		X.
Oregon	X	X			(3)	(3)		X.
Pennsylvania	X			(5)	X			X.
Puerto Rico	(2)	(2)			X		X[7]	
Rhode Island	X			X		X		X.
South Carolina							X	
South Dakota	X			X		X[6]		X.
Tennessee			X	X	X		X	
Texas	X			X		X		X.
Utah	X			X		X	No provision.	No provision.
Vermont				X		X	X	
Virginia								X.
Washington	X	(2)		X	(2)	X[3]		X.
West Virginia							X	
Wisconsin	X	(2)		X		X		X.
Wyoming			X[6]	X[6]			X	

[1] Including instrumentalities thereof. All States are required by Federal law to cover employees of State hospitals and institutions of higher education and to provide each subdivision with the right to elect coverage for employees of local hospitals and institutions of higher education.

[2] Limited to service for Walker County and its agencies or instrumentalities; this provision has not been implemented, Alabama. Limited to service for public housing authorities and to services performed for the State by blind and physically handicapped workers in noncivil service positions; mandatory coverage applicable only to employees with civil service status who receive notice of layoff on or after Mar. 1, 1971, due to reduction in the budget, reduction in staff due to economy or from organizational changes or a reduced workload, California; irrigation and soil conservation districts, Idaho; municipally owned public utilities, Indiana; services for the Maryland Workshop for the Blind, Maryland; services for South Jersey Port Commission, New Jersey; custodial service for boards of education of cities of 400,000 or more, New York; agencies or instrumentalities of Puerto Rico or of its municipalities, operating as private enterprises, Puerto Rico; public utility districts and public power authorities, Washington; and 1st class cities, Wisconsin.

[3] State and local have choice of financing, Arizona; State has choice of financing, Arkansas; contributions for State, reimbursement for local, California; reimbursement for State and either contributions or reimbursement for local, Connecticut, New York, Oregon; either contributions or reimbursement for State, reimbursement for local, Louisiana. Initial deposit required of 2.7 percent of the political subdivision's taxable wages during the 4 quarters preceding the effective date of election, South Dakota. Contributions required from the Toll Bridge Authority, public utility and port districts and public power authorities; the State and all other political subdivisions electing coverage make payments in lieu of contributions, Washington.

[4] No election reported.

[5] Elective coverage limited to service for instrumentalities specifically authorized by legislation, Massachusetts; and municipal authorities, school cafeterias, and volunteer fire companies, Pennsylvania.

[6] By interpretation.

[7] State and local governments must pay an estimated amount each quarter and at the end of the year either pay a balancing amount or receive a refund, Alabama; local governments may make payments in lieu of contributions on the same basis and in the same manner as amounts determined for ER's who are liable for payment of contributions, or they may elect reimbursements in the same manner as nonprofit organization, Illinois; both the State and its political subdivisions are permitted a choice of financing benefits by either contributions or reimbursement, Puerto Rico.

[8] Political subdivisions covering their employees of hospitals and institutions of higher education, must reimburse the fund for benefits paid in all States except, Alabama, Illinois, and Puerto Rico, as indicated in footnote 7 above and in Connecticut as indicated in footnote 3.

[9] Prior to Jan. 1, 1975, choice of financing is available, New Hampshire.

[10] Regulation provides for quarterly prepayment of a rate based on gross payroll.

[11] Beginning Jan. 1, 1974, State departments, commissions and boards are required to elect coverage for not less than 2 CY's, Nebraska.

[12] Effective Jan. 1, 1975, Montana.

Source: Department of Labor.

APPENDIX B

DISTRIBUTIONS OF STATES ACCORDING TO FISCAL INDEPENDENCE OF LOCAL SCHOOL SYSTEMS

States in which all local school systems are fiscally independent	States in which some local school systems are fiscally independent and some are dependent			States in which there are no independent local school systems
	90 percent or more of the districts are independent	Others	90 percent or more of the districts are dependent	
Alabama	Arizona	Alaska (majority dependent)	Connecticut	Hawaii
Arkansas	California		Maine	Maryland
California	Delaware	New Jersey (majority independent)	Massachusetts	North Carolina
Florida	Indiana		Rhode Island	Virginia
Georgia	Kentucky		Tennessee	
Idaho	Louisiana	Vermont (majority independent)		
Illinois	Minnesota			
Iowa	New Hampshire			
Kansas	New York			
Michigan	North Dakota			
Mississippi	Ohio			
Missouri	Pennsylvania			
Montana	South Carolina			
Nebraska	Texas			
New Mexico	Wisconsin			
Oklahoma				
Oregon				
South Dakota				
Utah				
Washington				
West Virginia				
Wyoming				
Nevada				

APPENDIX C

Distribution of States indicating fiscal responsibility and nature of coverage

Dependent and elective: (Maryland, District of Columbia) [1]	2
Dependent and mandatory: (Hawaii)	1
Dependent and no coverage: (North Carolina, Virginia)	2
Independent and mandatory, State and local: [1] (Kansas, Ohio, Orgeon, Washington)	4
Independent and elective, State and local: (Missouri, Nevada, Wyoming, California, Kentucky)	5
Independent and elective, State only	0
Independent and mandatory, State only: (Louisiana, Arkansas, Illinois, Iowa, Michigan, Oklahoma)	6
Independent and elective, local only: (Florida, Michigan, Nebraska, South Dakota, Louisiana)	5
Independent and mandatory, local only	0
Mixed and Mandatory, State and local: [1] (Connecticut, Minnesota, New Jersey)	3
Mixed and mandatory, State only: (Pennsylvania, Rhode Island, Delaware, New Hampshire, New York, Texas, Wisconsin)	7
Mixed and mandatory, local only	0
Mixed and elective, State and local: (Alaska, Arizona, North Dakota, Tennessee)	4
Mixed and elective, State only	0
Mixed and elective, local only: (Delaware, New Hampshire, New York, Rhode Island, Texas, Wisconsin)	6
Mixed and no coverage: (Maine and Alaska)	2

[1] States which include teachers (seven): (Connecticut, Minnesota, New Jersey, Oregon, Ohio, Washington, Kansas, District of Columbia).

APPENDIX D

A BILL To amend chapter 23 of the Internal Revenue Code of 1954 (relating to the Federal Unemployment Tax Act) to provide for the eligibility of school teachers for unemployment insurance under the unemployment insurance program.

SECTION 1. This Act may be cited as the "School Teachers' Unemployment Insurance Act".

SEC. 2. (a) Section 3304(a)(6)(A) of the Internal Revenue Code of 1954 (relating to requirements for approval of State laws) is amended by—

(1) striking out "institution of higher education" and inserting "educational institution", and

(2) striking out "institution or institutions of higher education" and inserting "educational institution or institutions".

(b)(1) Section 3309 of the Internal Revenue Code of 1954 (relating to State law coverage of certain services performed for nonprofit organizations and for State hospitals and institutions of higher education) is amended by—

(A) striking out "institution of higher education" in subsection (a)(1)(B) and inserting "educational institution",

(B) striking out paragraph (3) of subsection (b) and redesignating paragraphs (4), (5), and (6) of such subsections as (3), (4), and (5), respectively,

(C) amending subsection (d) (relating to definition of institution of higher education) to read as follows:

"(d) Definition of Educational Institution.—For purposes of this section, the term 'educational institution' means any agency or school offering preschool, elementary, or secondary education as determined under State law, and any school, junior college, community college, college, university, or other institutions offering post-secondary education, including any private proprietary institutions, which is authorized within a State to provide a program of education beyond high school; but such term does not include any day care center that provides predominately custodial service." and

(D) amending the caption of such section to read as follows: "State law coverage of certain services performed for non-profit organizations, educational institutions, and State hospitals."

(2) The table of sections for chapter 23 of the Internal Revenue Code of 1954 (relating to the Federal Unemployment Tax Act) is amended by striking out the item relating to section 3309 and inserting the following:

"SEC. 3309. State law coverage of certain services performed for nonprofit organizations, educational institutions, and State hospitals."

(c) Section 3303 (f) of the Internal Revenue Code of 1954 (relating to transition) is amended by—

(1) striking "(f) Transition.—" and inserting in the following: "(f) Transition Rules.—

"(1) Employment Security Amendments of 1970.—".

(2) redesignating paragraphs (1) and (2) of such section (f) (without regard to the amendment made by paragraph (1) of this subsection) as subparagraphs (A) and (B), respectively, and

(3) adding at the end thereof the following new paragraph:

"(2) School Teachers' Unemployment Insurance Act.—To facilitate the orderly transition to the expanded coverage of service to which section 3309 (a) (1) (A) applies as a result of the amendments made by the School Teachers' Unempolyment Insurance Act, a State law may provide that an organization (or group of organizations) which elects, when such election first becomes available under the State law, to make payments (in lieu of contributions) into the State unemployment fund as provided in section 3309 (a) (2) with respect to service performed in he employ of an educational institution other than an institution of higher education (as defined by the Secretary or his delegate), and which had paid contributions into such fund under the State law with respect to such services performed in its employ before January 1, 1972, is not required to make any such payment (in lieu of contributions) on account of compensation paid after its election as heretofore described which is attributable under the State law to such service performed in its employ, until the total of such compensation equals the amount—

"(A) by which the contributions paid by such organization (or group) with respect to a period before the election provided by section 3309 (a) (2), exceed

"(B) the unemployment compensation for the same period which was charged to the experience-rating account of such organization (or group) or paid under the State law on the basis of wages by it or service performed in its employ, whichever is appropriate."

Sec. 3. (a) Subject to the provisions of paragraph (2), the amendments made by subsections (a) and (b) of section (2) shall apply with respect to certifications of State laws for 1974 and subsequent years, but only with respect to service performed after December 31, 1974. The amendment made by subsection (c) of section 2 shall take effect January 1, 1977.

(b) Section 3304 (a) (6) of the Internal Revenue Code of 1954 (as amended by section 2 of this Act) shall not be a requirement for the State law of any State prior to July 1, 1974, if the legislature of such State does not meet in a regular session which closes during the calendar year 1973.

APPENDIX E

PART I.—SUMMARY OF REPORTS ON FINANCIALLY INDUCED CUTBACKS IN STAFF, PROGRAMS, AND SERVICES, SEPTEMBER 1971 (AS OF WEEKS OF SEPT. 13 AND 20)

Location	Enrollment	Teachers	Reduction of staff: Regular teachers	Substitute	Specialized	Professional staff	Teaching materials	Teacher aides	Other
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Birmingham, Ala									
Jefferson County, Ala [1]			100		10	2	50 percent	120	
Mobile, Ala.[1]			143		200				
Anchorage, Alaska [1]	33,000				70 percent	28 coun., 11 nurses	90 percent	80 percent	
Carmichael, Calif.[1]	54,000	2,300	91				$96,229		
Fresno, Calif.[1]								Eliminated	Capital outlay, maintenance, operation and supplies.
Garden Grove, Calif.[1]	52,000	1,900							Library aides, $40,000.
Los Angeles, Calif.[1]			1,000						
Oakland, Calif.[1]			60			5			Maintenance.
Sacramento, Calif									
San Diego, Calif.[1]	130,335								
Jefferson County, Colo.[1]									
Hartford, Conn.[1]	28,000	1,800							Do.
Wilmington, Del		742		50 percent	5				
Washington, D.C.[1]			533		118			171	
Duval County, Fla.[1]	118,000	5,872							
Orange County, Fla	84,000	4,200							
Palm Beach County, Fla	65,600	3,500							
Pinellas County, Fla	85,000	4,400	150		4	5			
Polk County, Fla	55,000	3,000				3		42	
DeKalb County, Ga	85,000	3,500							
Hawaii	180,000	8,000							
Boise, Idaho									
Chicago, Ill									
Indianapolis, Ind			17	50 percent					
Des Moines, Iowa	47,000	2,400	31			11			
Louisville, Ky			116		15	2		105	
Caddo Parish, La									

Jefferson Parish, La.									Capital outlay transferred to regular programs.
New Orleans, La.[1]			40						
Portland, Maine[1]	13,600	623	3	100 percent	3	1		13	1 secretary.
Detroit, Mich.	286,000	11,000		192					
Baltimore County, Md.	132,000								
Montgomery County, Md.	Decrease								
Boston, Mass.[1]			120	$625,000					
Minneapolis, Minn.[1]									
St. Paul, Minn.									
Jackson, Miss.	Decrease								
Kansas City, Mo.[1]			154		109	22			6 clerical.
Albuquerque, N. Mex.[1]						12			
Carrington, Linton, and Ellenton, N. Dak.			?						
Cincinnati, Ohio[1]			372		39			350	
Columbus, Ohio[1]			291		200	22		$500,000	
Dayton, Ohio[1]			75	20 percent	2	9	80 percent		Capital outlay.
Oklahoma City, Okla.	64,000								
Tulsa, Okla.[1]	75,000	4,710	[1] 225			(1)		73	
Portland, Oreg.[1]	72,000	3,500							
Philadelphia, Pa.[1]	285,000	12,000 to 13,000	513	$1,400,000	54	68	$785,000		76 nonprofessional staff.
Pittsburgh, Pa.	73,000	3,500							
Providence, R.I.[1]									45 clerical, 5 custodial.
Charleston, S.C.[1]									
Greenwood Co., S.C.[1]	57,000	2,300	5		6 (counties)				Adult education.
Rapid City, S. Dak.[1]					P.E. 50 percent nurse Art and Guid.	4 supervisors			
Nashville, Tenn.[1]	96,000	4,400	274	$50,000		11		$250,000	
Memphis, Tenn.[1]			35					103	
Fort Worth, Tex.[1]	82,900	3,800							Outer school centers.
Houston, Tex.[1]	228,000					Some			
San Antonio, Tex.									
Salt Lake City, Utah		130							
Montpelier, Vt.		130							
Norfolk, Va.[1]			40			12, including 9 secretaries.			
Edmonds, Wash.[1]	27,400	1,330						3 hr. day	Closed 3 elementary schools.
Seattle, Wash.[1]							25 percent		Equipment 50 percent.

[1] Crisis conditions.

APPENDIX F

TABLE A.—FULL-TIME TEACHERS IN PUBLIC SCHOOLS, FALL 1968, AND TEACHER SEPARATIONS FROM PUBLIC SCHOOLS, FALL 1968 TO FALL 1969, BY TEACHING STATUS FOLLOWING SEPARATION AND BY LEVEL AND LOCATION OF SCHOOL: 50 STATES AND DISTRICT OF COLUMBIA

Teaching status following separation	All schools [1]	Elementary schools				Secondary schools			
		Total	Large cities	Metropolitan areas outside large cities	All other areas	Total	Large cities	Metropolitan areas outside large cities	All other areas
Total teachers in public schools, fall 1968	1,864,416	960,917	218,512	321,951	420,455	787,094	164,884	273,586	348,623
Total separations from public schools, fall 1968 to fall 1969	358,914	192,908	42,326	67,955	82,627	144,492	30,199	45,116	69,177
Percent of teachers	19.3	20.1	19.4	21.1	19.6	18.4	18.3	16.5	19.8
Taught in another school following separation	188,657	102,878	2,,238	37,686	43,954	75,790	13,685	21,802	40,303
Percent of teachers	10.1	10.7	9.7	11.7	10.5	9.6	8.3	8.0	11.6
Percent of total separations	52.6	53.3	50.2	55.4	53.2	52.4	44.3	48.4	58.3
Taught in another school in same district	76,811	48,499	13,840	15,771	18,888	25,076	7,592	7,107	10,378
Percent of teachers	4.1	5.0	6.3	4.9	4.5	3.2	4.6	2.6	3.0
Percent of total separations	21.4	25.1	32.7	23.2	22.9	17.3	25.1	15.8	15.0
Taught in a school in another district	111,846	54,379	7,398	21,915	25,066	50,714	6,093	14,695	29,925
Percent of teachers	6.0	5.7	3.4	6.8	6.0	6.4	3.7	5.4	8.6
Percent of total separations	31.2	28.2	17.5	32.2	30.3	35.1	20.2	32.6	43.3
Did not teach in another school following separation	122,146	65,376	15,383	24,386	25,606	49,734	11,779	16,091	21,864
Percent of teachers	6.6	6.8	7.0	7.6	6.1	6.3	7.1	5.9	6.3
Percent of total separations	34.0	33.9	36.3	35.9	31.0	34.4	39.0	35.7	31.6
Changed to a nonteaching job in education field	12,631	5,379	1,808	1,444	2,128	6,704	1,518	2,285	2,901
Percent of teachers	.7	.6	.8	.4	.5	.8	.9	.8	.8
Percent of total separations	3.5	2.8	4.3	2.1	2.6	4.6	5.0	5.1	4.2
Changed to a job outside education field	23,747	8,262	2,070	3,004	3,187	13,678	2,646	4,279	6,753
Percent of teachers	1.3	.9	1.0	.9	.8	1.7	1.6	1.6	1.9
Percent of total separations	6.6	4.3	4.9	4.4	3.9	9.5	8.8	9.5	9.8
Left teaching for marriage, pregnancy, or family reasons	17,976	12,530	1,137	5,540	5,852	5,431	700	2,111	2,619
Percent of teachers	1.0	1.3	.5	1.7	1.4	.7	.4	.8	.8
Percent of total separations	5.0	6.5	2.7	8.2	7.1	3.8	2.3	4.7	3.8
Leave of absence	21,795	12,523	5,145	4,819	2,558	8.187	3,562	3,106	1.519
Percent of teachers	1.2	1.3	2.4	1.5	.6	1.0	2.2	1.1	.4
Percent of total separations	6.1	6.5	12.2	7.1	3.1	5.7	11.8	6.9	2.2
Retired	31,529	18,079	3,492	6,366	8,221	10,726	2,452	2,194	6,030
Percent of teachers	1.7	1.9	1.6	2.0	2.0	1.4	1.5	.8	1.7
Percent of total separations	8.8	9.4	8.2	9.4	10.0	7.4	8.1	4.9	8.8
Other	14,468	8,603	1,731	3,213	3,660	5,008	901	2,116	1,992
Percent of teachers	.8	.9	.8	1.0	.9	.6	.5	.8	.6
Percent of total separations	4.0	4.5	4.1	4.7	4.4	3.5	3.0	4.7	2.9
Teaching status after separation unknown	48,111	24,654	5,705	5,883	13,067	18,968	4,735	7,223	7,010
Percent of teachers	2.6	2.6	2.6	1.8	3.1	2.4	2.9	2.6	2.0
Percent of total separations	13.4	12.8	13.5	8.7	15.8	13.1	15.7	16.0	1.1

Note: Detail may not add to totals because of rounding. All data in this table are estimates based upon a sample of schools. See app. B for a statement of the realiability of the estimates. Large cities include 130 cities with 100,000 or more population in 1960 census. Metropolitan areas outside large cities include the remainders of the standard metropolitan statistical areas in which these large cites are located. All other areas included all remaining areas of the 50 States.

[1] Teachers in combined schools, with both elementary and secondary grades, are included in the totals but not in the detail by school level.

APPENDIX G

TABLE 205.—MINIMUM AND MAXIMUM TAX RATES AND RATES FOR NEW EMPLOYERS FOR UNEMPLOYMENT COMPENSATION INSURANCE

[In percent]

State	Minimum rate		Maximum rate		Rate for new employers	
	Old	New	Old	New	Old	New
Alabama					2.7	1.5.
Arkansas			4.0	4.1		
California			3.7	4.1		
Colorado					2.7	1.
Connecticut					2.7	Higher of 1 or 5-year benefit cost rate.[1]
Florida					2.7	1.
Indiana	0.1	[2] 0.08	3.2	[2] 3.1		
Iowa					2.7	1.5.
Kansas						Higher of 1 or 5-year benefit cost rate.[1]
Maine			3.7	4.5	2.7	2.
Maryland					[3] 2.7	Higher of 1 or 5-year benefit cost rate.[1]
Minnesota					2.7	Higher of 1 or 3 year benefit cost rate.[1]
Mississippi					2.7	1.[4]
New York	0	[5] .3			[3] 2.7	2.3[1]
Ohio			4.7	4.3	[3] 3.0	3.
Pennsylvania	0	.3			2.7	1.
Rhode Island	1.2	1.0			2.7	Higher of 1 or 5-year benefit cost rate.[1]
South Dakota					[3] 3.0	1.5 (1972) 2 (1973) 2.7 (thereafter).
Tennessee	.4	.3				
Texas			2.7	4.0	2.7	1.
Vermont					2.7	Higher of 1 or rate class 11 (1.2–2).
Virginia	.1	.05			2.7	1.
West Virginia					2.7	1.5.

[1] But not to exceed 2.7 percent.
[2] Maximum rate increase to 3.3 and minimum decreases to 0.02 in 1976.
[3] Plus whatever additional contribution rate is levied against all employers.
[4] Except in construction industry.
[5] For 1973 and 1974; thereafter 0.
[6] New employers pay rate applicable to rated employer with positive balance of less than 1 percent depending upon rate schedule in effect. Rate shown is for 1972; for other years, range is between 2 and 3.1 percent.

Source: Department of Labor.

Mr. GIBBONS. Thank you, Dr. Wise.

Mr. Schneebeli.

Mr. SCHNEEBELI. About 10 years ago Dr. Wise was a constituent of mine. She was then a teacher in State College, Pa., and I represented that area at that time.

I would say that her rise to the position of president of this huge organization is quite indicative of her competence and we welcome her here. Her testimony is further evidence of her ability. Thank you very much for coming.

Dr. WISE. Thank you.

Mr. GIBBONS. Mr. Collier.

Mr. COLLIER. Dr. Wise, you indicate that your association has made repeated efforts to get the States wherein there is a provision for elected coverage, to establish mandatory programs.

Recognizing the problem, as I am sure we all do, what seems to be the main obstacle in their recognizing this and why then is it necessary to come to the Federal Government to insist that there be a mandatory program when it obviously raises very grave constitutional questions?

Dr. WISE. There are two answers I think to that. I would like to give one and ask Mr. Olsen to respond to the first part of your question.

I think coming to the Federal Government at this point is perfectly legitimate because the precedent is there under the whole area of public higher education institutions. We feel it would be acceptable to add to that precedent.

As far as our efforts in the State legislatures, I think Mr. Olson would be the one to answer that for us.

Mr. OLSON. Mr. Collier, there have been some gains in the past year or two. Two years ago only two States provided mandatory coverage for local government units. Now there are seven.

So, we have had some gains.

The problem of gaining coverage for teachers is a reticence on the part of the State legislature to superimpose upon a county or local government an additional type of tax responsibility.

However, we feel that considering the problems, this is truly a national problem and a problem which is increasing as time goes on. With the restructuring of the Federal budget toward education we are going to find that we will have significantly higher temporary unemployment among classroom teachers.

Mr. COLLIER. I recognize that. I also recognize that just as a State is reluctant to superimpose upon a county or any other local political subdivision a tax requirement, so then we have the problem of the Federal Government seeking to impose upon the State, through mandatory legislation what amounts to a tax.

I still feel, though the act which created the situation in terms of higher education was 1970, there is in my mind a serious question of constitutionality of that. I think that Congress got itself in a bit of a bind by taking nonprofit organizations and suggesting, for example, that it could be mandatory that you would require that Harvard or some privately endowed institution of higher learning have a program and as a result got in a position where the University of Illinois or the University of Missouri or some State-financed institution could not do this.

I question, however, and I believe there are constitutional lawyers who would join me in this position, that if someone sought to take this matter to court, it strikes me as being a violation of the preemption laws of a State in terms of what the Federal Government could impose upon them through mandatory legislation.

Mr. OLSON. The problem of constitutionality we face in many respects. I think it is an arguable problem at this point. We would be willing to supply for you whatever information we have in terms of precedents from our legal department which would support our point of view. To my knowledge the constitutionality has not been challenged to date. In 1965 when Congress first began to look at this, in reading the hearing record, almost to a person the higher education units which testified said that they would much rather have an additional salary increase. By the time that 1969 rolled around when hearings were reopened and there was serious consideration to include them there was concern because of high unemployment.

As time progressed they saw a need for the coverage. I think we are in much the same situation where several years ago we did not see that there was that great a need because we had a pretty stable employment situation. But as we have progressed we find we have a problem that is not localized.

If it were localized in New York State, Kansas, California, or elsewhere, I think our members would be more willing to continue to push very firmly as they have upon State legislatures for resolution of the problem.

Mr. COLLIER. Let me ask one other question and that is this: Do you propose to cover teachers during the period in which they are not actively teaching? I speak, of course, of the summer months.

Dr. WISE. No. We are talking of those situations where the teacher does not have a job because there has been a RIF, a reduction in force. We are not talking about the month or two hiatus which is the normal period of time between June and September. We are not talking about that.

Mr. COLLIER. I am totally sympathetic. I cannot for the life of me understand why the States have not recognized that this is in fact a very vital need today. I was merely being the devil's advocate in raising the constitutional question because I do think it is a question that is likely to be raised.

My time is up.

Thank you very much.

Dr. WISE. If I could just have one quick response. We are not going to stop with our efforts to push through State legislation and to get State relief but we feel at this point it is paramount that we also work on a Federal level.

Mr. GIBBONS. Mr. Conable.

Mr. CONABLE. I guess the thrust of my question was somewhat answered by Mr. Collier's questioning. I was going to ask generally are there any States that don't have tenure laws for teachers?

Dr. WISE. Yes. There certainly are.

Mr. CONABLE. How many? Tenure is the rule and not the exception, isn't it?

Dr. WISE. Tenure is the rule and not the exception but tenure does not affect it if you get riffed out of a job.

Mr. CONABLE. I was trying to figure out why you had not had unemployment insurance before. I assume that the growth of our school systems and the provision of tenure has led teachers not to ask for it in the past.

This is something you indicated yourself, Dr. Wise, realizing that if a portion of the school budget goes into unemployment insurance it cannot go into salaries. Probably the changing conditions in the teaching profession have led to a realization that the balance of advantage has shifted.

Dr. WISE. I don't think there is any question about that. Our research specialist indicates that he thinks there are six States without some kind of tenure law.

Mr. CONABLE. I realize that if tenure were universal that would not be any great argument because university professors have tenure also and in their case the States did not consider it disabling to the granting of unemployment compensation benefits.

Dr. WISE. I think 5 years ago this probably would not have been a major issue. I think it will be a major issue at our national convention.

Mr. CONABLE. Being educated people I am sure they will also understand that there is a certain amount of tradeoff here, that it will affect

their capacity to get additional pay increases if they are granted this kind of economic consideration.

Dr. WISE. I think they understand that.

Mr. CONABLE. Thank you very much.

Mr. GIBBONS. Mr. Chamberlain.

Mr. CHAMBERLAIN. Thank you. I have no questions.

Mr. DUNCAN. I have no questions.

Mr. GIBBONS. Thank you very much.

Our next witness is Mr. Shaw of the Citrus Industrial Council. He is a native of Florida, a fine friend of mine, and an excellent lawyer. He represents the council very well, not only in this subject area but in other areas where they have problems.

Rod, I personally welcome you here to this committee and to the subject matter to which you are about to address yourself.

Please identify yourself for the record and proceed as you wish.

STATEMENT OF RODERICK K. SHAW, CHIEF COUNSEL, CITRUS INDUSTRIAL COUNCIL

Mr. SHAW. My name is Roderick Shaw. I am a member of the firm of Allen, Dell, Frank & Trinkle, and I am appearing today on behalf of the Citrus Industrial Council with regard to those provisions of the pending legislation on unemployment compensation which relate to the extension of coverage to agricultural workers.

The council is a nonprofit trade association representing Florida Citrus Mutual and its 16,000 Florida citrus growers, Florida Canners Association and its 50 members which comprise all of the processors of citrus juices in Florida, and Florida Fresh Citrus Shippers Association which represents most of the citrus packing houses in Florida.

We greatly appreciate the opportunity to appear before the Committee on Ways and Means to present the views of the council on behalf of the Florida citrus industry.

Several bills now pending before the Congress propose that unemployment benefits be extended to agricultural workers.

First, we support those provisions of section 2 of H.R. 11623 which provide for Federal reimbursement to any State in which the cost of unemployment benefits paid to agricultural workers exceeds the unemployment taxes paid by the employers of those workers. If such Federal reimbursement is provided, then we will also support the extension of coverage to agricultural workers.

In the absence of such a reimbursement provision the resulting risks will leave the council no choice but to urge this committee to reject coverage for agricultural workers.

Second, we urge the committee to revise those provisions of section 104 of the proposed "Job Security Assistance Act of 1974" which would relieve most crew leaders of the responsibility of maintaining unemployment insurance records and also of the liability of paying unemployment insurance taxes relating to agricultural workers employed by them. Crew leaders should not be relieved of that responsibility or liability.

The primary responsibility and liability should remain with the crew leader where the workers are his employees. If there is a need to impose secondary liability on the growers, processors, or shippers who

engage the services of such crew leaders we would not object to that being done, but primary responsibility and liability should lie with the crew leader.

We doubt that anyone intends that crew leaders be given such a free ride. The modification we suggest will eliminate this free ride and, at the same time, solve fully the problems to which section 104 of that bill addresses itself.

Now, with regard to the first topic, that of Federal reimbursement of overdraft problems of States on account of agricultural coverage, one still unanswered question is what will be the cost of providing agricultural coverage.

We have heard estimates ranging from lows less than 3 percent of taxable agricultural payrolls to highs greater than 10 percent.

It is altogether possible that the costs may indeed be as low as 3 percent, but the definite risk remains that costs may be much higher.

If the costs incurred are substantially greater in some States than the taxes generated, serious problems will result unless Federal reimbursement is made to those States in an amount equal to that deficiency of overdraft.

We, therefore, support sections 1 and 2 of H.R. 11623. The provisions of section 2 of that bill will solve the very serious deficiency or overdraft problems which will result if the costs of agricultural coverage do prove to be high in some States.

On the other hand, if the costs of agricultural coverage prove not to be high enough to result in a deficiency in any State, then the problem-solving provisions of section 2 will simply be inoperative. In either event, full agricultural coverage will be provided by section 1 of that bill.

Stated another way, we support coverage for agricultural workers on condition that the deficiency or overdraft incurred by any State if funded, without either State or Federal tax increases, out of the Employment Security Administrative Account.

If the costs are low as predicted by the Depatment of Labor, then hopefully no States will incur overdrafts, and no reimbursements from the Federal fund will be required.

Conversely, if, as is predicted by others, the costs are quite high and result in overdrafts in some States such as our own, then reimbursements to those States under the provisions of section 2 of H.R. 11623 will prevent serious deficits in State funds, yet the amount paid out of the Federal fund will be relatively insignificant when compared to the dollar reserves within the Federal fund.

With the committee's permission the council would appreciate being granted permission to submit within a very few days detailed data which will demonstrate why there is a substantial risk in the cost of unemployment benefits by agricultural workers may well be much greater in some States than the taxes generated and the definite probability that serious overdraft problems will occur in those States.

In addition, the council will be glad to draft and submit substitute language which will accomplish fully the objectives of section 104 of the administration bill relating to crew leaders yet at the same time avoid letting crew leaders off the hook.

If there are any questions regarding either of these points, I will be glad to try to answer them now if I can. If I cannot, I will attempt

to incorporate them in the additional written submission which I will file within the time that may be allowed by this committee.

Mr. GIBBONS. We will be glad to receive the additional information from you. If you would just coordinate that with Mr. Kelley of our committee staff, that will be fine.

Mr. Kelley says that there is a little time left and we can do that.

Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Shaw, you appear to be assuming that there must be a substantial reserve in the Federal fund. It is my understanding that there is very little in the Federal fund, that the only money there is to support and pay for some administrative costs.

If we have these overdrafts, and you indicate they may be of consequence, and the Federal fund is very low, then it would seem the money would have to come from other sources.

Mr. SHAW. If that be the case then you would be correct. I don't have that information unfortunately. I will secure that information and include it in a supplemental submission, if I may be allowed to do so.

Mr. SCHNEEBELI. Your proposal is unusual; in fact, it may be unique.

Mr. SHAW. That is correct. We think this is a serious problem now, sir, on which we now have a golden opportunity to present a very workable solution.

Mr. SCHNEEBELI. But the industrial States would be paying for overdrafts of the farm areas with which they have very little to do. New York and Pennsylvania would have to pay for Florida's overdrafts, wouldn't they?

Mr. SHAW. Yes. I would appreciate being allowed to secure additional information so that I may respond more fully in my supplemental submission.

Mr. GIBBONS. You drink our orange juice.

Mr. SCHNEEBELI We pay for that. It is a question that arises in my mind. I tend to think you oversimplified the problems.

Mr. SHAW. I didn't intend to do that. The very problem that you raise is the one we are trying to solve. The problem occurs if, for example, the overdraft were to be so great in Florida that it resulted in an increase to rated employers in Florida of a very substantial amount, this could result in perhaps doubling or trebling or quadrupling the taxes of some rated employers in Florida because Florida is such a tremendously large State in agricultural matters in relation to its total taxable unemployement payroll.

We would hope that the impact on rated employers would be insignificant if it is handled in this way so as to be spread across the entire 50 States.

Conversely, it would be very burdensome if spread only across the payroll of Florida or California.

Mr. SCHNEEBELI. At the present time if there is substantial unemployment in, say, Michigan I don't think Florida pays for that, does it?

Mr. SHAW. The extension of benefits.

Mr. SCHNEEBELI. The rate goes up. So we would have to change the system entirely where we would ask Florida to pay for the unemployment in Michigan or Massachusetts which it does not do now.

Mr. SHAW. This is the extended benefits provision.

Mr. SCHNEEBELI. No, I think we are off the track here.

Mr. SHAW. I am sorry, sir, I am not an expert on unemployment compensation. I will be glad to determine whether I am correct in my impression that Florida employers do bear the cost of extended benefits paid in Michigan and include that subject in my supplemental submission if I may be allowed to do so.

Mr. SCHNEEBELI. Thank you. I will look forward to reading your supplemental statement.

Mr. SHAW. I think you raised some excellent points that perhaps we can solve more fully in our subsequent remarks.

Mr. SCHNEEBELI. Thank you.

[The following was subsequently received for the record:]

SUPPLEMENTAL SUBMISSION OF THE CITRUS INDUSTRIAL COUNCIL

The Citrus Industrial Council is grateful to have been granted the opportunity to present this additional written submission. There are several questions which were asked by members of the Committee which required either information or data which was not then available to me. In accordance with my commitment to respond more fully to those issues on which my responses were incomplete, this written submission will expand on those answers in the order in which the questions appear in the transcript of the hearing.

The first question related to the amount of available funds and the use to which funds generated by the 0.5% federal tax are put. During the calendar year 1973, the federal portion of the unemployment taxes generated approximately 1.4 billion dollars. A major portion of that was used to pay state and federal administrative costs. Another twenty percent of those moneys were earmarked under the extended benefits provision of the federal act to be used to make reimbursments for extended benefit to those states with high unemployment. The amount so earmarked for extended benefits in 1973 was approximately 280 million dollars. One of the effects of the extended benefit provisions (which are described on pages 16 and 17 of the material dated April 22, 1974, prepared by the staff of the Committee) is to take approximately 20% of the 0.5% federal tax paid in by employers in some states to pay for extended benefits paid out to workers in other states. For example, during the years 1970 through 1973, the federal portion of the unemployment taxes paid by Florida employers was approximately 110 million dollars of which approximately 22 million dollars went into the federal extended benefit account. Of that sum, over 20 million dollars was paid out of the federal extended benefit account to other states to reimburse those states for extended benefits paid to workers in those other states. Less than 2 million dollars (less than 9%) was used to make reimbursements to Florida for extended benefits to Florida workers. In other instances, the extended benefit reimbursements to a state have substantially exceeded the extended benefit portion of the federal taxes paid by employers from that state. For example, the extended benefit portion of the 0.5% federal tax on employers in Connecticut for 1973 was approximately 12 million dollars, but federal reimbursements to Connecticut were 38 million dollars (more than three times more than was paid into the extended benefit account by employers of that state). In some states, extended benefits have been paid only once (first three months of 1972) since the extended benefits provisions became effective in 1970. Accordingly, employers in those states have (except for that three-month period) been paying approximately 20% of their 0.5% federal tax solely for the purpose of providing benefits for workers in *other* states.

With respect to the amount of available funds, one of the federal accounts has a substantial balance and the other is in a deficit position.

The account which is in a deficit position is the extended benefit account. The reason for that deficit is that the aggregate of the amounts paid out in extended benefits over the past four years have exceeded substantially the portion of the 6.5% federal tax which has been earmarked by the Congress for extended benefits. In order to continue making extended benefit reimbursements, it has been necessary to transfer money from general revenue into the extended benefit account.

The account with the substantial balance is the administrative account from which the administrative costs of the state and federal unemployment program are administered. We are informed that current expenditures for administrative expenses are running approximately 68% of the revenues which are earmarked for that account. Accordingly, the balance in this federal account has been estimated to be approximately 600 million dollars at the end of the fiscal years 1974 and 1975.

Another question was raised as to whether it would be appropriate to require industrial states to pay for the overdrafts of farm states. Surprising though it may seem, a number of the states most likely to incur overdrafts as a result of agricultural coverage are industrial states. Conversely, most of the states generally thought of as farm states are unlikely to incur overdrafts on account of agricultural coverage. This is because the fruit and vegetable crops which use seasonal migrant workers are grown in many of the large industrial states while the types of farming which require year-round employment predominate mostly in farm states. For example, the report on the migration and cost of unemployment insurance protection for agricultural workers dated November, 1972, which was prepared for the U.S. Department of Labor as a part of the NE-58 research project shows that the benefit cost ratio of migrant farm workers in Connecticut will be approximately 15%.

Since Connecticut has a maximum state tax of 2.7% the overdraft for Connecticut will amount to over 12% of the taxable payroll paid to migrant agricultural workers in that highly industrialized state. Similarly, the benefit cost ratio for migrant agricultural workers in New Jersey is shown in that report to be 7.75%. Since the maximum tax in New Jersey is 5.5%, the overdraft resulting from benefits payable to migrant workers in that state can be expected to exceed 2% of the taxable payroll paid to migrant workers in that industrial state. The above overdraft estimates are based on the hypothetical assumption that the availability of unemployment benfits will have absolutely no effect whatsoever on the desire of the workers both to continue to work and, when laid off, to secure additional employment. Obviously, the availability of benefits will have such an impact so that the resulting overdrafts in those two states may be substantially larger.

If because of looser eligibility requirements, more favorable benefits, or both, a disproportionate number of the migrant workers employed in industrial states conclude that it is to their benefit to draw benefits in those states rather than to move on to other agricultural employment in farm states, then the risk of overdrafts and the severity of those overdrafts in industrial states in which substantial numbers of migrant agricultural workers are employed will be greatly magnified.

The next question related to whether or not Florida pays for any part of the benefits received by workers in Michigan when substantial unemployment occurs in that state. As mentioned above, that part of the benefits to Michigan workers which come within the extended benefit provisions of the federal act are, to a very substantial degree, paid by Florida employers.

We are not here dealing with the question of whether rated employers should be required to bear the burden of overdrafts. We are, instead, dealing with the question of whether rated employers in a state in which a disproportionate number of migrant workers elect to draw benefits should be required to bear the burden of the overdraft caused, not from the workers of that state but, instead, from migrant workers from other states. Rated employers have long been bearing the burden of overdrafts whenever some workers draw benefits exceeding the unemployment taxes paid by their employers. In addition, since 1970, both rated and non-rated employers have been bearing the burden (approximately 20% of their 0.5% federal tax) of paying extended benefits to workers who, often, are entirely from *other* states. We are, therefore, not suggesting that the Congress embark in an unprecedented direction.

We are, instead, suggesting a workable means by which the Congress can prevent a disproportionate portion of the cost of agricultural coverage from being borne by the rated employers of a handful of states which either because of their liberal unemployment laws or their favorable climate are preferred by migrant workers as the place to draw unemployment benefits.

There are, of course, provisions under both state and federal laws for combining wages and employment of workers who work in more than one state. Those wage-combining provisions are designed to soften the cost impact upon the state in which the benefits are drawn where a substantial portion of the

wages on which the benefits are payable were earned in another state. These wage-combining provisions will be helpful in many instances but they will not adequately solve the problem because the reimbursements from the other states are usually far less than their fully proportionate share. Accordingly, the federal reimbursement provisions suggested by the Council are necessary to prevent tha burden from falling harshly upon rated employers in that handful of states in which migrants decide that they prefer to draw benefits. These wage-combining provisions will lessen the amount of federal reimbursement which will be needed, thus reducing the extent to which federal funding will be required.

The problem to which the Council's proposal addresses itself will not result in expenditures of hundreds of millions of dollars as does the present extended benefit provisions of the federal act. Viewed on a national basis, the dollar amounts will be quite small. Conversely, if federal reimbursement is not made available, there will be the substantial risk that a highly disproportionate percentage of migrant agricultural workrs will elect to draw benefits from several of the states in which migrant agricultural workers are employed in large numbers. As mentioned above, the worker's incentive for selecting a particular state may be loose eligibility requirements, liberal benefit provisions, or both. If a disproportionate percentage so elects, a state in which only 5% of the man-weeks worked by migrants are performed during a particular year may find that the claims presented to it represent 10% or even 15% of all the unemployment benefit claims presented by migrant workers.

If overdrafts are inconsequential, no harm will have been caused since the reimbursement provision will become operative only if an overdraft does result and the state or states in which it occurs considers the matter sufficiently serious to file claim for reimbursement. On the other hand, if an effective legislative solution is not provided, there is the serious risk that rated employers in that handful of states preferred by migrants will find themselves saddled with the burden of paying for unemployment benefits for workers who are not even residents.

Mr. COLLIER. Might I suggest at the outset that one of the ways to accomplish this for the State of Florida, if it can be accomplished, would be to tell the folks down there to quit extending the homestead exemption from $5,000 to $10,000?

Mr. SHAW. I fully concur.

Mr. COLLIER. Outside of drinking orange juice, I know very little about the citrus business. I presume the crew leaders pick the crews, employ them, and in turn are subcontracted by the citrus growers.

Mr. SHAW. In some instances they are truly subcontractors and therefore the employers of the pickers. In other instances they really are just foremen so the pickers are not their employees but employees of the processors.

Mr. COLLIER. Who withholds their social security tax and sends that in and so on, the crew leaders or the growers?

Mr. SHAW. Under current interpretations both formal and informal, the primary responsibility rests with the crew leader unless he is carried on the payroll as a foreman and therefore is not a crew leader at all but the secondary liability in every instance under interpretations both on wage-hour and social security are that if the processor who engages the crew leader doesn't make certain that the crew leader has maintained the records and adopted the proper deductions then he will be stuck with the bill, just as is the case where a prime contractor on a construction contract fails to require subcontractors to obtain workmen's compensation. It is an analogous situation.

Mr. COLLIER. Thank you very much, sir.

Mr. GIBBONS. Are there any further questions?

How many of these workers we have in the citrus industry are true migrants, can you tell us?

Mr. SHAW. Mr. Gibbons, the first thing one has to do is define what one means by migrants. The Department of Labor has grappled with that. There is a study, a recent study by a number of economists in several land grant institutions who more or less threw up their hands and said a migrant is a person who works in more than one State.

They solved the problem as to what the home State was simply by saying the State in which he earns the greatest amount of money shall be considered to be his home State.

I really don't know. Approximately 30 percent, we think; we don't have definitive objective data.

Mr. GIBBONS. We are all migrants, apparently.

Mr. SHAW. Yes, sir, all of us.

Mr. GIBBONS. Then it is your best estimate that 30 percent of the people who work in the citrus industry in Florida work somewhere else in the United States during part of the nonharvesting season in Florida; is that right?

Mr. SHAW. That is right, sir.

Mr. GIBBONS. I can understand why the people of Florida don't want to be saddled with the tax to pay those people while they are in the migrant stream, because they do move from one area to another They may be temporarily domiciled in Florida; it is a nice place to live as I can testify, and so can some of the other members of the committee. But I will see what I can do to persuade them. I will twist Mr. Schneebeli's arm.

Mr. SHAW. This is one of the essential points and problems that the odds of Florida or California simply getting their normal share of workers drawing unemployment compensation there will not apply because of climatic conditions.

We consider it to be highly probable that where the worker has a choice of drawing unemployment compensation under favorable climatic conditions as opposed to some less favorable that he will opt for the better climate at the time when he is relaxing. Naturally he would like to go out and go fishing, as do I.

Mr. GIBBONS. I can foresee that perhaps by adding the migrant worker to the Florida unemployment compensation system without some kind of Federal help there might be a tendency to reduce the unemployment compensation of industrial workers because there are an awful lot of agricultural workers in Florida that really work a very short period of time in Florida, despite the fact that they start the season there and end the season there. This is because they like to live there.

So we do have a complex problem. I appreciate your coming up here to discuss this. We will talk it over some more.

Mr. SHAW. Thank you, sir.

Mr. GIBBONS. Thank you.

Our last witness represents the California Taxpayers Association and the Agricultural Producers Labor Committee. She is Geraldine Beideman, director of the employment security program.

Mrs. Beideman, we welcome you to the committee. I hope I got your credentials correct. I wish you would identify yourself formally for the record and proceed as you wish.

We welcome you here.

STATEMENT OF GERALDINE M. BEIDEMAN, DIRECTOR, EMPLOYMENT SECURITY PROGRAM, CALIFORNIA TAXPAYERS ASSOCIATION, AND CALIFORNIA AGRICULTURAL PRODUCERS LABOR COMMITTEE

Mrs. BEIDEMAN. Thank you, Mr. Chairman.

My name is Geraldine Beideman. I represent the California Taxpayers Association and the California Agricultural Producers Labor Committee.

I would like to ask the committee to print my statement in the record and I will speak very briefly to the main points.

Mr. GIBBONS. We will be glad to do that.

You may proceed.

Mrs. BEIDEMAN. We would suggest, Mr. Chairman and members of the committee, that if the committee is going to consider such major revisions as benefit standards and agricultural coverage for the States, that you also think of the corresponding change which must be made and that is the eligibility requirement.

That is, if you are going to decide how much to pay and whom the benefits should go to, you also should set forth the conditions under which the benefits will be paid.

California has a very low eligibility requirement, a requirement of a very small amount of earnings in the base year. This means that a great many people are entitled to benefits who would not be eligible under the laws of other States, say New York, New Jersey, Michigan, and so on.

As a result, we have reached a compromise in the legislative process there in which the eligibility provision is not tightened very much and at the same time the benefit levels are kept a little below what the administration is contemplating in their Job Security Assistance Act.

If you are going to go for benefit standards we would strongly recommend that you consider an eligibility standard as well.

In the 1969 legislation in H.R. 12625 you did have a proposal for an eligibility standard in the bill. That required the equivalent as a minimum of 15 weeks work. We would suggest that if you vote for these other provisions you also vote for that.

In addition, I would like to comment very briefly on the triggers for the Federal-State extended duration benefit program.

At least in California the triggers have not worked properly. The program went out of effect because of the 120 percent factor at a time that unemployment was excessively high, that is, the average insured unemployment rate was running in excess of 6 percent.

But because of this 120 percent above the average of the 2 preceding years requirement, the program became inoperative. The same happens with the "on" trigger. If we have recessions that come relatively close together—and we are in a kind of economic trough right now—the 1971 and 1972 data are still with us. Therefore, the program would not trigger on in California except for the congressionally enacted temporary extension which California has taken advantage of.

We would suggest that the 120 percent factor be augmented with an alternative which would be any given amount of high-level aver-

age insured unemployment, say 6 percent, at which point the 120 percent would become inoperative.

If insured unemployment remained at at least 6 percent, the Federal-State program would stay in effect. If the insured unemployment rate rose to 6 percent, it would go into effect regardless of the 120-percent factor.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF GERALDINE M. BEIDEMAN, CALIFORNIA TAXPAYERS' ASSOCIATION, AND ON BEHALF OF AGRICULTURAL PRODUCERS LABOR COMMITTEE

SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. *Benefit Requirements.*—The California employers represented would support the proposal for federal benefit standards if an eligibility requirement also were included. Benefit amounts and the eligibility for them are opposite sides of the same coin and the two issues must be determined simultaneously.

2. *An Eligibility Requirement.*—As a condition of benefit entitlement, a requirement of at least 15 weeks' previous employment or the equivalent would assure that claimants have some measure of labor market attachment.

3. *Agricultural Coverage.*—Providing that an eligibility requirement is included in the legislation, California employers represented would support the extension of unemployment insurance to agriculture.

4. *The Special Unemployment Compensation Program.*—This temporary and special program to aid the long-term unemployed in "labor areas" could present substantial administrative difficulties. It also, because of the accident of geography, could reward some workers and deny others the benefits.

5. *The Federal-State Extended Benefit Program.*—Amendments to the trigger mechanism are needed so that the program can be responsive both to the continuation of high-level unemployment during prolonged recessions and to the rise in unemployment at the onset of recessions.

1. FEDERAL BENEFIT STANDARDS

Proposed is that federal law would establish the minimum requirements for weekly benefits to be paid to unemployment insurance claimants. California employers represented by this presentation would support this proposal providing that an eligibility standard is added to the measure to accompany the benefit standards.

The stated purpose of the benefit amounts requirements is to assure that the system furnishes adequate benefits to the workers whom it insures and helps sustain consumer purchasing power. The proposal, however, fails to contain the safeguard that benefits only should be paid to those persons whom the system is designed to protect. The addition of a requirement outlining conditions of benefit entitlement would satisfy this omission.

Two inseparable elements of unemployment insurance are benefit amounts and benefit entitlement. When it is decided how much should be paid in benefits, it must simultaneously be determined to whom the benefits are to be paid. The risks of wage loss of the insured group are basic to the establishment of benefit amounts.

2. THE CASE FOR AN ELIGIBILITY REQUIREMENT

In some states, and California is the prime example, political, social and economic compromises have resulted in paying benefits to persons whose labor market attachment is quite casual and, as an offset, keeping benefits somewhat below the level suggested by the Administration's proposal. To impose benefit amounts requirements under such circumstances would assure additional benefits to persons whom the system never was intended to compensate.

In its "Employment Security Amendments of 1969" proposal, the Administration recognized the importance of assuring more than casual labor market attachment as a condition of benefit eligibility. The President's message of July 8, 1969, transmitting the proposal contained the following statements:

Attachment to the Labor Force.—The unemployment insurance system is designed to protect workers whose attachment to the labor force is more than casual. A worker's attachment is measured by both his past employment history and his present situation. He must be ready, willing and able to work and trying to find work while he is claiming benefits; and he must have had at least a certain amount of employment in the recent past. Generally, from fourteen to twenty weeks of work is required, depending on the employment patterns of the State and the minimum duration of benefits.

A few States, however, measure past employment by a flat dollar amount. This discriminates against the low-wage worker, because it means he must work for a longer period to be eligible. Also, it permits other high-wage workers to become eligible on the basis of very short seasonal work. *I recommend that a standard based on a minimum period of 15 weeks' employment be required as a condition of benefit eligibility, and that no flat dollar amount be permitted as the only yardstick.*[1]

California's eligibility requirement is just such a flat dollar amount—$750 or more in earnings during the year on which the claim is based. And even the low earner, paid at the present $2.00 an hour minimum, can meet the bottom requirement with about nine weeks of work a year. Many persons working in highly seasonal and intermittent activities typically qualify for benefits on the basis of only a few weeks of work a year.

If California's benefit structure is going to have to be revised to comply with a federal benefit standard, we urge that a federal qualifying standard also be adopted. The standard we suggest is that which was contained in the 1969 legislative proposal, H.R. 12625:

(12) compensation shall be paid to an individual only if he satisfies a qualifying requirement in his base period of at least 15 weeks of employment or the equivalent in wages for employment. For the purpose of this paragraph a State law which requires wages in employment in an individual's base period shall be deemed to provide the equivalent of 15 weeks of employment only if it requires one of the following:

(A) wages, in at least two quarters, equal to not less than 30 times his weekly benefit amount (exclusive of allowances with respect to dependents); or

(B) wages, is at least two quarters, equal to not less than the lesser of

(i) 1.2 times the wages paid to him in the quarter of his base period in which such wages were highest, or

(ii) 1.2 times the wages required to qualify for the State's maximum weekly benefit amount (exclusive of allowances with respect to dependents).[2]

3. AGRICULTURAL COVERAGE

Just as many persons who currently work in seasonal fruit and vegetable packing and canning qualify for benefits in California on the basis of a few weeks of work, some persons working in agriculture would also be able to meet the flat dollar amount of qualifying wages with quite casual employment.

The study of the cost of extending unemployment insurance to farm workers made by the California employment security agency as part of the Department of Labor's nationwide study showed the effect of different qualifying requirements on the number of claimants to be compensated. A 15-weeks' employment requirement would reduce the number of compensated claimants by 10.6 percent from the number qualifying under that flat dollar amount. A 30-times-the-weekly-benefit qualifying requirement would lower the number of compensated claimants by 3.6 percent and 1.2 times-high-quarter-earnings requirement, by 2.6 percent.[3]

If the qualifying requirement recommended above were incorporated in the federal legislation, the California employers represented would support the extension of unemployment insurance to agriculture.

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[1] Message from the President of the United States Transmitting Proposals Relative to Unemployment Insurance. House of Representatives, 91st Congress, 1st Session, Document No. 91–135, p. 4.

[2] H.R. 12625, July 8, 1969, 91st Congress, 1st Session, pp. 11–12.

[3] Estimated Cost of Extending Unemployment Insurance Coverage to Farm Workers—1969, Report 621 No. 2, California Department of Human Resources Development (May, 1971). Table 1.

4. THE SPECIAL UNEMPLOYMENT COMPENSATION PROGRAM

The special temporary program is proposed to take care of long-term unemployment by the simple means of extending benefits for prior claimants and of offering them to non-claimants. Apart from any philosophical difficulties with this approach, there is specific concern about the feasibility of defining a "labor area". Insured employment and unemployment data are maintained for counties, standard metropolitan statistical areas, and the state. No valid information would be available for any "labor area" smaller than one of those statistical units.

There is concern, too, about the equities involved when "labor areas" are contiguous as standard metropolitan statistical areas tend to be industrial states. In such situations, workers often live in one area and hold jobs in the adjoining one. Yet the incidence of unemployment is uneven, depending upon the degree of industrial stability in each of the areas. Workers living in the same community but having their prior employment in different areas could be compensated in some instances and denied benefits in others.

5. THE FEDERAL-STATE EXTENDED BENEFIT PROGRAM

The experience gained with the federal-state extended benefit program during the 1970–1971 recession demonstrates a problem with the operation of the trigger mechanism. The present program's "on" and "off" triggers appear to operate satisfactorily only if recessions are short and occur at infrequent intervals. When recession unemployment is prolonged, however, the program goes out of operation despite the prevalence of high-level unemployment. And, if a recession occurs within two years of the preceding one, the program fails to go into effect.

California data offer an example. The 13-week moving average insured unemployment rate remained above 4.0 percent for the first 37 weeks of 1972. Yet because of the 120 percent requirement in the "off" trigger, the program became inoperative January 30, 1972. In 1973, the 13-week moving average insured unemployment rate exceeded 4.0 percent for the first 23 weeks. Because of the 120 percent factor in the "on" trigger, though, the program did not go into effect.

Perhaps a 4.0 insured unemployment rate is not in itself a satisfactory measure of recession unemployment in a state with as sharp seasonal fluctuations as California experiences. But at some point, say 6.0 percent, the extended benefit program should go into operation regardless of any comparison with rates in the two preceding years. The "on" trigger provision could be amended, retaining the 120 percent factor but offering an alternative of a given rate of insured unemployment, for example, 6.0 percent, which would bring the program into effect.

The "off" trigger also should be amended to prohibit the program's going out of operation in a time of heavy unemployment. Either the 120 percent factor could be eliminated or it could be retained and an alternative added, for example, the prevalence insured unemployment at 6.0 percent or more.

Mr. GIBBONS. Thank you, ma'am.

Mr. Corman.

Mr. CORMAN. Thank you, Mr. Chairman.

Mrs. Beideman, I very much appreciate your testimony. I would like to pursue a little, if we may, the problem of the trigger. It seems to me the theory of the additional unemployment is because when the rate is high it means it is more difficult for people out of a job to find one and you are giving them some additional time.

So, it must be just as hard in a State where we assume the same percentage of unemployment. As I remember the trigger was at 4½ and if you had high unemployment last year or low, it is today you are worried about and today you are competing for the jobs with those available people.

I wonder if perhaps the 6 percent is a little too high. I don't recollect we got 6 percent covered unemployment during the very hard times we had in California.

Do you recall whether or not we did?

Mrs. BEIDEMAN. Yes, we did, Mr. Corman. Starting in early 1971 we went to 6 percent and up to 7 and on up to 8 of covered employment on a 13-week moving average.

Even as late as July of 1972 we were still running in excess of 6 percent. Now, California's insured unemployment rate tends to be a little higher than that of some other industrial States because we have sharp seasonal fluctuations and we also have a very liberal eligibility requirement so people tend to be on the claims rolls there who might not in some other industrial State but our insured unemployment rate has been that high in recent years.

Going back earlier it was in excess of 6 percent for several months a year from 1959 through 1965. It is a mark of really heavy unemployment in California.

Mr. CORMAN. Are you satisfied generally with the efforts of the Human Resources Department in getting jobs for people? I believe it used to be the old Employment Offices.

Mrs. BEIDEMAN. They have had a name change recently, Mr. Corman. It is now the Employment Development Department starting the first of this year. They have, in the past year and a half, turned around their programs from one of strict attention to the disadvantaged to some program balance where they are concerned about all the unemployed people.

I think generally there is growing satisfaction on the part of claimant and employers and of course the community with what is going on there.

They are doing a better job than they were a few years ago.

Mr. CORMAN. Thank you very much. That is encouraging.

Mr. GIBBONS. Well, we thank you for coming to be with us. This completes our hearings on this subject.

The committee will now adjourn.

[Whereupon, at 3:27 p.m., the hearing was adjourned.]

[The following material was submitted for the record:]

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, members of the committee, I am again urging you to include agricultural labor in any legislation you develop regarding unemployment compensation. Four years ago, the House of Representatives had an excellent opportunity to bring this Nation's farmworkers under unemployment compensation, but rejected the effort.

In the intervening 4 years, there have been substantial changes. We now have agricultural labor under the protection of the minimum wage law. This alone should provide the impetus to bring this Nation's farmworkers under unemployment compensation insurance.

A summary of a report prepared by the U.S. Department of Labor and submitted to the distinguished chairman of this committee stated:

"Extension of unemployment insurance to the agricultural sector is only one, relatively minimal step, toward placing agricultural employers and employees on a parity with their counterparts in other economic sectors."

It further states:

"It extends to employees the right to receive a minimum work related income during periods of industry induced involuntary unemployment, thus leveling out and slightly increasing total earnings. It permits agricultural employers to provide a fringe benefit already available in most other economic sectors thereby increasing the attractiveness of agricultural employment. However, it is not a

panacea designed to bring labor returns in agriculture up to levels received in nonagricultural sectors nor, taken alone, will it bring about greater labor market stability or smoother functioning of agricultural labor market institutions."

As I stated earlier, we have taken one other step toward bringing about stability when we passed the minimum wage bill which provides for the coverage of agricultural workers. I urge you to carefully consider taking another relatively minimal step by bringing the farmworker under the protection of unemployment compensation insurance.

Thank you.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 11, 1974.

Hon. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: On April 22d and 23d, the Ways and Means Committee will be conducting hearings on unemployment compensation proposals. This is a matter of particular interest and deep concern to me because of the high unemployment rate in my State. Accordingly, I wish to go on record in urging that the unemployment compensation period be extended for an additional 13 weeks.

There is, however, an additional problem that is critically important for thousands of workers in Rhode Island. As you may know, last April the Navy, which was the largest employer in Rhode Island, announced the closing of two major bases in our State. Among the thousands of employees who eventually were put out of work, 1,300 left the Quonset Naval Air Station on June 29, 1973. Their unemployment compensation is due to expire on April 12th. Hopefully, the committee will act favorably and quickly on the legislative proposals for a 13-week extension. However, I understand that the proposals before the committee would not go into effect until a full 30 days after enactment. If it were possible, I would ask that benefits be made retroactive so that the Rhode Island employees I have referred to could collect for the period subsequent to April 12th.

At the very least, I would respectfully request that the legislation go into effect upon the date of enactment to alleviate as much as possible the hardship that is being experienced by so many unemployed workers both in my own State and in other parts of the country.

Sincerely,

FERNAND J. ST GERMAIN,
Member of Congress.

STATEMENT OF HON. STEWART B. MCKINNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. Chairman, no one will deny the importance of the legislation now before this committee, and I would like to go on record as fully supporting efforts to reform the unemployment compensation system through the Job Security Assistance Act of 1974.

This legislation comes at a time when uncertainty and confusion are the dominant themes in our Nation's economy. Over the past few years we have been buffeted by the conversion from wartime to peacetime, economic controls, and now the multifaceted problems of a nationwide energy shortage. Contrary to the standard economic wisdom, we find ourselves in a time of both record high inflation and impending recession. Against such a background, legislation to extend coverage to people hardest hit by this economic dislocation is of critical importance. I fully support the goals of bringing agricultural workers under the protective umbrella of unemployment compensation and of guaranteeing benefits of at least 50 percent of an unemployed worker's average weekly wage. To do any less is a refusal to face up to the problems generated by our current economic woes. It just does not make sense to force working people to bear the burden of our economic problems by first laying them off and then refusing to give them sufficient benefits. The record of the States in this area has been disappointing to date, and I hope that this legislation will provide the goad to bring unemployment compensation in line with the economic realities of the present day.

I would like to comment especially on H.R. 13801, introduced by Congressman Marvin Esch, since I think this bill presents the most sensible approach to the

difficult problem of getting benefits to the specific areas where they are most needed.

Rather than rely on a statewide unemployment rate to trigger eligibility for Federal assistance, H.R. 13801 relies on a regional, intrastate labor market as its basis. This, it seems to me, is the soundest basis upon which to extend coverage. The problems with the statewide approach became most apparent to me in Connecticut in 1971 and 1972 when we had cities with extraordinary high rates of unemployment—over 20 percent in some instances—and they could not receive sufficient coverage because the State unemployment level, upon which relief was predicated, in no way began to take that high, localized need into account. I favor the more direct approach which responds immediately to pockets of unemployment without waiting for unemployment statewide to rise to the triggering point. H.R. 13801 meets an important need in its extension of possible maximum benefits to 52 weeks, and I would vigorously urge this committee to work to enact its provisions into law.

Of no less importance than the Job Security Assistance Act is the matter of outstanding Federal loans to States which are hardest hit by recent economic convolutions.

In 1972 and 1973 the States of Connecticut and Washington borrowed $53.5 million and $40 million respectively because they just could not meet the high demand for unemployment benefits. Now these States are faced with the prospect that unless the loans are repaid by November 10 of this year, participating employers' Federal taxes will rise, even though they face a new round of rising unemployment due to the energy shortage.

When these States borrowed money from the Federal Government, they were suffering from extraordinary high rates of unemployment, which was due in large part to the winding down of the Vietnam war. In 1972, unemployment in Connecticut ran at levels of 21 percent in the city of Bristol and 15 percent in the city of Bridgeport. The statewide figure for Washington exceeded 10 percent consistently. The purpose of the Federal trust fund was to provide a pool from which States can draw to meet their monthly shortfall, assuming, of course, they can meet the rigorous standards for a loan. Under section 3302(c)(3) of the Internal Revenue Code of 1954, if there are outstanding loans on January 1 of 2 successive years, the States must repay the balance or else participating employers face an annual rise in Federal taxes of 0.3 percent each year until the balance is paid off. As things currently stand in Connecticut, it would be unrealistic to expect the State to pay off this sum by the end of the year.

Let me illustrate how employers would be affected in Connecticut if there is no State repayment by November. It is estimated that with an unemployment rate of 5 percent, the State would have a taxable payroll of $4 billion. With the current economic situation in the Northeast, expecting unemployment to remain at such a low level for the rest of this year would be overly optimistic at best. If employers see their taxes rise 60 percent from 0.5 percent to 0.8 percent for taxable year 1974, this should raise $12 million. With the tax rising to 1.1 percent for taxable 1975, this should generate approximately another $24 million. Thus it would not be until 1977 that these loans could be repaid. It is important to stress that this is an optimistic projection. If unemployment rises, the taxable payroll base will shrink at the same time unemployment claims will rise. Under such circumstances, things could only grow worse and could force some marginal employers to shut down or move. Congress can and must provide relief to stave off such an intolerable situation.

To this end of providing minimal relief, I have introduced H.R. 13509, which would in essence give States with outstanding loans on January 1, 1974, a 1-year extension of time in which to begin repayment. I have no quarrel with public statements of the chairman of this committee that the integrity of the unemployment compensation program should be maintained, and I wholeheartedly agree with the sound reasoning that established 2 years as a sufficient time in which to begin repayment. But we do not live in ordinary economic times. Connecticut had barely recuperated from the conversion to a peacetime economy than it was hit with the crunching dislocation of the energy shortage. Relief in the form of a 1-year extension of time in which to repay is, in my opinion, clearly in order under the circumstances. In addition, I believe it is fully consistent with the aims of the program, which is to guarantee that States will have enough money available to meet their claims.

In introducing H.R. 13509, it is definitely not my intention to subvert the system or to open the door for abuses in the future. Rather I would hope that flexibility would be the watchword. It is my desire that, under close congressional scrutiny, future legislation designed to give States a free ride for 1 more year would be weeded out and rejected, while legislation such as H.R. 13509, which has the limited aim of providing short-term relief to States which are suffering extreme economic hardship will be able to withstand the careful examination of this committee and the full Congress and be enacted into law.

It is not my intent to let States off the hook completely. This unemployment compensation system should be able to take into account the severe, unanticipated difficulties of States such as Connecticut and Washington and respond with a minimal extension of time. In enacting a law to give such States a 1-year "breathing spell" until the economy can hopefully stabilize itself, the Congress will have prevented further economic dislocation and still acted in a manner fully consistent with the goal of maximizing Federal assistance to States and insuring that those who are thrown out of work will be compensated.

Thank you.

STATEMENT OF JOHN C. DATT, DIRECTOR, CONGRESSIONAL RELATIONS, AMERICAN FARM BUREAU FEDERATION

UNEMPLOYMENT COMPENSATION

Farm Bureau is the largest general farm organization in the country, with a current membership of 2,293,680 families in 49 States and Puerto Rico. It is a voluntary, nongovernmental organization and includes members who produce virtually every agricultural commodity produced in this country. Many of our members, who are employers of farmworkers on a seasonal or year-around basis, would be affected by the proposed Job Security Assistance Act of 1974 (H.R. 8600 and subsequent administration proposals contained in the committee print of February 13, 1974).

At their most recent annual meeting, January 1974, the voting delegates of the member State farm bureaus adopted the following policy regarding unemployment compensation:

> "We favor retention of experience rating policies and the preservation of State responsibility to determine eligibility and benefits in unemployment insurance programs.
>
> "Administration of State unemployment insurance programs should be subject to continuous review and scrutiny to ascertain those who can and should obtain employment. Where necessary, we recommend that State laws be revised to provide that benefits not be paid to workers who are on strike.
>
> "The extension of unemployment insurance to agriculture is impractical, since most agricultural employees are employed on a short-term, seasonal basis. Many farmworkers are high school or college students, members of farm families working on a neighbor's farm, retired persons, housewives, and others not a regular part of the Nation's hired work force. We therefore oppose the inclusion of argiculture in the unemployment insurance program."

H.R. 8600 and several other bills on unemployment compensation, now before the Congress, would extend coverage to farm employers who employed four or more workers in each of 20 weeks of the current or preceding year or paid $5,000 in farm wages in a calendar quarter. The administration estimates that, while this limitation would extend coverage to only a small percentage of the Nation's farmers, it would include a large percentage of the farmworkers. We do not agree that coverage would be restricted to "large-scale, industrial-type farm operations." In some States—such as California, Florida, Texas, Arizona, Michigan, New Jersey, and Massachusetts—a significant percentage of farmers would be brought under the act since fruit, vegetable, and nursery production is concentrated in these States and these particular commodities require the employment of large numbers of seasonal workers.

We are strongly of the opinion that extending unemployment compensation to agriculture would create a wide range of problems, both to farmers and to the

enforcement agencies. We do not agree with the conclusions reached in the Department of Labor's manpower administration study on agricultural employment as to the feasibility of covering farmworkers.

We believe passage of this legislation would have these effects:

1. It would add a significant new cost to agricultural production—particularly in fruits, vegetables, nursery products, and other high-labor use commodities. This higher cost necessarily would be reflected in higher prices to consumers.

2. In some States, benefit costs for farmworkers would exceed UC taxes paid by farmers—thus increasing the tax rate of nonfarm employers.

3. Some workers would work as long as necessary to be eligible for benefits and then live on their benefits until they were exhausted before returning to work. Farmers are aware of the widespread abuses in the administration of the unemployment compensation program in many States.

4. The UC program in agriculture would be extremely difficult to enforce, since agriculture consists of many small units of production. The incentive for abuse would be greater, since most farmers would be paying the maximum rate.

5. If this new requirement were forced on all farmers who employ four or more workers in 20 different weeks or had a payroll of $5,000, it would be another factor in causing small farmers to go out of agriculture. The operators of these small- and medium-size farms are already hard pressed to keep up with a myriad of State and Federal regulations, and this new requirement could be the final factor in a decision to get out of agriculture.

6. The unemployment tax would be paid—in some States a portion is collected from workers—on thousands of workers who would not be eligible for benefits. This may be true particularly (*a*) in the case of migrant workers who return to an area of high unemployment during the winter months and could be ruled to be ineligible and (*b*) in the case of temporary workers who do not work long enough to establish eligibility.

A large portion of the hired work force on farms is seasonal in nature, consisting of students or housewives who work only 2 or 3 weeks, retired persons, farmers who help out their neighbors, and others who would not be eligible for benefits.

For these reasons, we are opposed to bringing agriculture under the unemployment compensation program. Instead, we suggest that farmers be encouraged to sign up on a voluntary basis, as many farmers already have done.

H.R. 8600 also provides that farm operators who contract with "crew leaders" to perform labor on their farms would be responsible for the recordkeeping and tax payments for unemployment insurance purposes, relieving the crew leaders of this responsibility. We oppose this provision since, in many instances, the crew leaders or labor contractors are the legal employers of such workers. They recruit and hire them, they pay them, they supervise them, they deduct social security taxes, and they have full legal responsibility as employers under other Federal and State laws. The actual employer should be responsible for recordkeeping and tax payments.

We are opposed to the Federal requirements for rates of unemployment compensation in this legislation. Since 1969 the States have been making significant progress in raising their levels of benefits. Since mid-1969, every State has provided for one or more increases in UC benefit maximums. At least 10 States have enacted legislation providing for higher benefit levels this year, and several others are expected to do so before the end of the year. Thirty-six States have raised their maximum weekly benefit amounts by $20 or more; 17 of these, by $30 or more. In 1969, only five States had weekly benefit maximums replacing 60 percent or more of the average weekly wage in those States. Currently at least 20 States pay maximum benefits equaling 60 pecent or more. We do not believe Federal intervention is required or desirable at this time.

We strongly favor the provision in the bill denying UC benefits to strikers. We consider it fundamental that UC compensation should be paid only for involuntary unemployment and not for unemployment that is voluntary and unjustified. Only if this principle is observed can the Government maintain neutrality in labor disputes.

We ask that these comments be made a part of the hearing record and appreciate the opportunity to express our views.

Statement of National Small Business Association

National Small Business Association representing 40,000 small- and medium-sized businesses in 500 separate industry categories is pleased to present its views on the administration's, and other unemployment compensation proposals now pending before the committee.

NSB, as in the past, again urges the Congress not to set Federal benefit standards. We are convinced that the individual States are best equipped to adjust their own benefit levels according to the needs of their own people.

For more than 30 years NSB has stated that a sound program must (1) adhere to insurance principles, (2) maintain an adequate insurance rating system, and (3) resist Federal domination of a program which is basically one for the States to hande.

Since mid-1969, every State has provided for one or more increases in UC benefits. Percentage increases in maximum benefits over this same period range from 15 percent to as much as 93 percent—a 46 percent average increase in State maximum weekly benefit amounts. (See attached table.) Since July of 1969 the consumer price index increased by only 28 percent. This indicates that the States are acting in good faith, and are more than adequately compensating for inflationary pressures in the economy.

PAYROLL COSTS

It must be borne in mind that payroll costs, especially among smaller firms, have risen to intolerable levels in recent years. The administration's program, if enacted, will result in still another increase in payroll costs of approximately 15 percent. Most business firms will pass these cost increases along to the consumer, thereby adding further to the inflationary pressures so prevalent today. However, in too many cases, the small- and medium-size business, already forced to operate on abysmally narrow profit margins which are dictated by the larger firms finds itself unable to pass on these added costs. What is to be done in these situations? Careful consideration must be given by you to this aspect of the problem.

ENERGY CRISIS

According to recent Labor Department reports, only about 9 percent of those receiving benefits attribute their job losses to energy-related layoffs. While some localities and States may be experiencing abnormally high energy-related layoffs, in such cases we believe that the States are best equipped to handle the problem. Administrative costs would be prohibitive if special programs for extended coverage were to be federally administered on a broad scale, rather than State-administered and triggered only where they are necessary. New Federal programs and their attendant costly bureaucracies are not needed!

TRIGGERING

While States with excessively high unemployment rates do need and should have extended benefit periods, NSB maintains that a 4 percent insured unemployment rate as both a floor and a ceiling is not justified. NSB support a 6 percent ceiling—allowing States in excess of 6 percent to pay extended benefits, and prohibiting States below the 4 percent floor from paying them. Those States falling between the 4 percent to 6 percent range would be allowed to pay extended benefits when they show increases in insured unemployment of 20 percent or more.

CONCLUSION

NSB continues to support the program of employer-financed, State-administered unemployment compensation benefits. We believe this system to be a competent, responsive, and effective means of providing for those who are temporarily and involuntarily unemployed. If changes are necessary to further improve the Federal-State program, NSB believes that the viability of the small business sector must be kept foremost in mind. Nothing must be done that would retard the major growth sector of our economy.

TABLE I.—INCREASES IN MAXIMUM UNEMPLOYMENT COMPENSATION WEEKLY BENEFIT LEVELS, 1969 TO 1974[1]

State	Maximum weekly benefit amounts		Increase	
	July 6, 1969	Apr. 1, 1974	Amount	Percent
Alabama	$44	[2] $75	$31	70
Alaska	60–85	90–120	30–35	50–41
Arizona	50	60	10	20
Arkansas	47	79	32	68
California	65	90	25	38
Colorado	71	90	19	27
Connecticut	76–114	98–147	22–33	29–29
Delaware	55	85	30	55
District of Columbia	63	117	54	86
Florida	40	64	24	60
Georgia	47	[2] 70	23	49
Hawaii	72	98	26	36
Idaho	56	78	22	39
Illinois	42–70	60–105	18–35	43–50
Indiana	40–52	[3] 60–100	20–48	50–92
Iowa	58	75	17	29
Kansas	55	73	18	33
Kentucky	52	70	18	35
Louisiana	50	70	20	40
Maine	52	65	13	25
Maryland	60	[2] 89	29	48
Massachusetts	[4] 57–	90–135	[4] 33	[4] 58
Michigan	46–76	56–92	10–16	22–21
Minnesota	57	85	28	49
Mississippi	40	[2] 60	20	50
Missouri	53	67	14	26
Montana	42	65	23	55
Nebraska	48	[5] 74	20	42
Nevada	47–67	80	33–13	70–19
New Hampshire	54	80	26	48
New Jersey	65	85	20	31
New Mexico	53	67	14	26
New York	65	75	10	15
North Carolina	50	[6] 64	14	28
North Dakota	51	68	17	33
Ohio	47–66	[7] 77–114	30–48	64–73
Oklahoma	38	60	22	58
Oregon	55	[8] 76	21	38
Pennsylvania	60	96–104	36–44	60–73
Puerto Rico	36	50	14	39
Rhode Island	56–76	82–102	26–23	46–34
South Carolina	50	83	33	66
South Dakota	41	[9] 59	18	44
Tennessee	47	[3] 70	23	49
Texas	45	63	18	40
Utah	54	87	33	61
Vermont	56	[10] 77	21	38
Virginia	48	[2] 87	39	81
Washington	42	81	39	93
West Virginia	49	[11] 84	35	71
Wisconsin	66	[12] 92	26	39
Wyoming	53	67	14	26

[1] When 2 amounts are given, higher amount includes allowance for dependents.
[2] Effective July 1, 1974.
[3] Effective July 7, 1974.
[4] Maximum augmented amount not given since augmentation was limited only by claimant's AWW in 1969.
[5] Effective 3 mos after adjournment.
[6] Percentage used in escalator will be increased from 50 to 66⅔ percent effective Oct. 1, 1974.
[7] Effective Jan. 1, 1975, maximum weekly benefit is automatically increased by any percentage increase in the State's AWW.
[8] Percentage used in escalator will be increased from 50 per 55 percent effective Sept. 30, 1974.
[9] Percentage used in escalator will be increased from 50 to 56 percent effective July 1, 1974.
[10] Effective July 1, 1974, percentage used in escalator will be increased from 50 to 60 percent (approx. $81).
[11] Percentage used in escalation will be increased from 55 to 66⅔ percent effective July 1, 1974.
[12] Percentage used in escalator will be increased from 60 to 63 percent ($97) effective July 1, 1974, and to 66⅔ percent ($102) effective Jan. 1, 1975.

Source: UBA, Washington, D.C.

STATEMENT OF UNITED STATES INDUSTRIAL COUNCIL

The U.S. Industrial Council is an organization representing more than 3,000 business firms across the Nation employing some 3 million people. Its purpose is to preserve and strengthen the free enterprise system on which our strength as a nation has been built.

We are deeply concerned about the undermining of private enterprise and individual initiative by enactment of legislation which injects government ever more deeply into every business enterprise and into the daily life of every citizen. We are disturbed to see the Congress yielding to pressure from those whose philosophy is based on the belief that the Federal Government is allwise, that it can perform every function better than State or local government, and that therefore its powers should be continually increased.

The proposed Job Security Assistance Act of 1974, which would have the Federal Government set benfit standards and force the States to comply with them, would be another step down the road toward a completely centralized, socialistic, and paternalistic form of government. It not only reflects a lack of confidence in the capability of States to handle matters which have traditionally been in their province; in the proposal to keep extending the duration of payments to individuals who are unemployed, it reflects a lack of belief in the ability of the individual to look after himself and to solve his own problems.

State unemployment compensation benfit standards were developed to fit the situation in each State and meet both the needs and economic limitations of the area. No one argues that each State program is perfect. The need to improve benefit standards in some States has been recognized, and the States have moved to make improvements at the rate they consider practicable. It has been a matter of the people closest to the problem working on the problem, and solving it on the basis of first-hand knowledge of needs and limitations.

The administration, in the message to the Ways and Means Committee accompanying its unemployment compensation proposals, stated that since mid-1969 all the States have increased their benefit maximums. Furthermore, it should be pointed out that 19 States passed legislation to strengthen their unemployment compensation programs last year, and 10 have raised the level of benefits already this year.

But, the administration has decided that the States have not moved at the rate of speed which it decreed and, therefore, the Federal Government must take over and dictate benefit standards. Proponents of federalization of unemployment compensation benefit standards take the position that the voice of Washington has spoken and its pronouncement that the States are not proceeding fast enough toward the unemployment compensation goals represents the final wisdom. We do not accept that. The people working on improvements in standards in the various States know their own legislatures, their State's economic situation, and other factors entering into the speed with which they can arrive at their goals The States unquestionably are moving in this matter, and there is no justification for the Federal Government to step in and take over.

In its message on the legislation, the administration stated that the existing unemployment compensation system "has been an outstanding example of Federal and State cooperation." Federalizing benefit standards would completely undermine this system that has worked well and cause serious problems in many States.

The States, in enacting legislation improving benefits, have been able to include provisions tightening up their regulations so as to help eliminate abuses. The Job Security Assistance Act of 1974 would inevitably lead to increased abuses, with more benefits going to those who really don't want to work, instead of being confined to those who are unemployed through no fault of their own, despite their best efforts to find new jobs. One only has to look at the food stamp program to see the abuses that occur in a program where the Federal Government sets the standards and the States are expected to enforce them.

In some States, the immediate increase in benefit standards to the level in the proposed Federal legislation would be very costly to employers and work many economic hardships in sharply increased State unemployment compensation taxes. Furthermore, continuously increasing benefit levels and rising costs would be virtually a certainty. Increasing Federal benefit standards and extending the duration of benefits would become entirely a political issue. As with social secu-

rity, each election year would bring pressures for placing more money in the hands of the unemployed by raising Federal standards.

The liberals and labor union officials who continually push for the Government to hand out, or direct business firms to hand out, more benefits of all kinds to more people seem to have the idea that Government and business firms have an inexhaustible supply of funds. The economic reality which they ignore is that the money can only come out of the pockets of taxpayers and consumers, either directly or indirectly. In our competitive economy, the profits of most companies are limited by competition and, as the usual rule, cost increases must be passed along in increased prices. If the general public comes to realize that either directly or indirectly it would pay the costs of larger unemployment benefits, it can be safely assumed there would be little public enthusiasm for the proposed unemployment compensation legislation.

The U.S. Industrial Council urges the Ways and Means Committee to reject the so-called Job Security Act of 1974 and all other proposals setting Federal standards for unemployment benefits.

ADDITIONAL COMMENTS

Within recent years, we have seen two court decisions on the Federal level that have had a very disrupting effect on the States' administration of their unemployment programs. We refer, of course, to the decision that benefits must be paid to a claimant, even though his rights to such benefits have been challenged by his employer. This has, in essence, established that anyone applying for benefits will be paid such benefits, regardless of whether or not he is justly entitled to such benefits. The second court decision inferred that even though a claimant may have left his employment for a disqualifying reason, that State's laws providing for the cancellation of his wage credits in that employment are invalid. This provision has, in effect, caused the various States that had such a provision to amend their laws, so that now the empoyer's reserve account is chargeable for benefits paid to a former employee, even though such employee voluntarily left his employment with such employer or was dismissed for just cause, misconduct, or whatever.

We believe any further intrusion by the Federal Government into this area, as has happened in the past, will eventually lead to the complete change of this program from an insurance concept to a pure welfare concept. This welfare concept does not benefit the employee who has lost his employment through no fault of his own. In those areas where the administration of this program has resulted in the welfare concept, the taint of application for benefits is such that those former employees who have a justifiable claim cannot help but feel a reluctance to apply for benefits under the act.

In summary, we would recommend that the Congress, rather than enact standards that cannot equitably apply to the diversity of conditions found in the 50 States, consider corrective legislation that would return the unemployment program to an insured concept as determined by the various States, rather than the welfare concept that has been allowed to work its way into the system in various localities. In other words, we feel that the only direction that is of a productive nature would be a return to the concept of benefits for those unemployed through no fault of their own. Unless the unemployment program is returned to this concept, it will continue to lose its value to those beneficiaries for whom it was intended.

STATEMENT OF CHARLES W. DAVIS, NATIONAL ASSOCIATION OF INDEPENDENT INSURERS

Mr. Chairman and Members of the Committee: My name is Charles W. Davis. I am an attorney in private practice in Chicago, Ill., and appear on behalf of my client, the National Association of Independent Insurers (NAII).

NAII is a voluntary insurance company trade association with over 410 members. Companies, both members and subscribers, now affiliated with the organization total 605. Companies within the membership range from the small one-State type of company to the largest multi-State writer; from the highly specialized writer of farmers or other consumer groups to the so-called full multiple insurer; and from those merchandising their insurance product through the mails to those using the American agency system. Virtually every State

is represented in the membership. Thus, policy is developed on the basis of a very broad consensus of the insurance business.

While this statement is submitted on behalf of NAII, the problem to which I invite the committee's attention is not one peculiar to the insurance business. Every business, conducted in corporate form through subsidiaries rather than divisions, is potentially affected. This applies equally well to small as well as large businesses.

This statement is submitted in support of a solution of a persistent, recurring, and increasingly important problem among related employers of the same employee from the exaction by the Internal Revenue Service of duplicate employment taxes—specifically payroll taxes for Federal unemployment and social security, sometimes referred to as "FUTA" and "FICA" taxes.

The Federal Insurance Contributions Act and the Federal Unemployment Tax Act impose a tax on employers based on wages paid to employees. The one is limited to wages of $13,200 and the other to wages of $4,200. Because the tax is based on wages paid by an employer to an employee, duplication of tax will occur when an employe changes employment during a calendar year. Duplication also occurs when an employee performs services concurrently for more than one employer—even when the employers are related by stock ownership, common management, or otherwise.

The Federal Unemployment Tax Act and the Federal Insurance Contribution Act are structured so that the tax is limited by the amount of wages paid an employee, with a maximum limitation placed on the total amount. The theory underlying this limitation is that benefits paid out of funds provided by the taxes are based upon the amount of wages earned by an employee during his employment up to the specific statutory limit. If an employee remains employed by a single employer during the entire calendar year, both the employer and employee pay an FICA tax limited to wages of $13,200. On the other hand, if an employee changes his employment during the calendar year, both he and his second employer must commence paying tax as though he had not been employed during the year. This is also true for employers under the Federal Unemployment Tax Act with respect to wages of $4,200.

In 1939, employees were relieved of this duplication of FICA tax by a provision for special refunds of excess tax paid. In 1950, successor employers were granted relief from this duplication of tax in cases where they acquired substantially all the property used in a trade or business of a predecessor, and immediately thereafter employed employees who immediately prior to the acquisition were employed in the trade or business of the predecessor. This relieved a partnership from having to pay tax on wages in excess of the stated limitation when a member died, and the partnership was thereby dissolved and a new one established. It also relieved successor corporations when mergers or consolidations were effected, or when an individual incorporated his business and continued to operate a similar enterprise through ownership of the stock of the corporation.

Further, Congress has determined that the sister program of railroad retirement should provide for the elimination of multiple payroll taxes by permitting joint employers of the same employee to allocate the amount of tax due on wages paid for railroad retirement purposes. (See Public Law 89–700, October 31, 1966.) Subsequently, in line with this congressional action, the Railroad Retirement Board administratively applied this allocation to the railroad unemployment tax.

Prior consideration of the problem of duplication of "FUTA" and "FICA" taxes has included proposals for the elimination of double taxation among members of the same affiliated group of corporations, with reliance upon the stock ownership standards prescribed for eligibility for filing of consolidated corporate income tax returns. Such an approach, however, fails to recognize that employers of the same employee may be under common control by management, financial interests other than stock ownership, or by other means, and that the discriminatory multiple tax upon such employers may be just as severe in these cases as in affiliation by stock ownership.

The National Association of Independent Insurers recommends that comparable relief against duplication of "FUTA" and "FICA" taxes upon related employers be extended as has already been provided for railroad retirement taxes and for the employee's share of FICA taxes. Under the proposal two or more

employers of the same employee, upon notice to the Internal Revenue Service, would be able to enter into an agreement whereby such employers would pay the social security and unemployment tax attributable only to that part of the employee's compensation which does not exceed the respective wage base to which such taxes apply. If neither employer pays compensation equal to the respective wage base, one employer would pay tax on his compensation to the employee and the remaining employers would pay the tax on that part of wages in excess of such compensation up to the respective wage base.

Regardless of the amount of compensation paid by each employer, the aggregate tax may be shared by the employers on whatever basis they agree. This insures that each employer will pay precisely what Congress has intended and required to be paid for an employee's wages—but in no event more than that amount. Today the opposite result occurs under the inequitable practice of the tax collector.

For example, social security and unemployment taxes are imposed on wages paid to an employee with a limit on the amount subject to tax. Presently, the limitation is $13,200 for social security and $4,200 for unemployment. In some instances, an employee of related corporations may perform services of potential benefit to one or more of these corporations during the same year. In many cases, he has been treated by the Internal Revenue Service as a separate employee of each of the corporations for which he performs services, and the wages he receives are attributed to each of these corporations. As a result, the $13,200 or $4,200 limitation on wages is applied to the compensation attributed to each company separately rather than to the total compensation received by the employee. Consequently the payroll taxes collected with respect to the employment may be, and very often are, based on compensation considerably in excess of the statutory limit. While the employee may obtain a refund of any excess social security tax paid, the employers may not. This proposal prevents that hardship from occurring.

As pointed out before, precedent for this proposed technique for alleviating discriminatory double taxation of employers of the same employee is found in the case of railroad retirement taxes. This same principle should be adapted to other employment taxes, the impact of which has risen sharply in recent years.

For the first 13 years, 1937–49, the FICA payroll tax rate was only 1 percent, applied to the first $3,000 of earnings. By 1960 the rate had climbed to 3 percent, and the age base was $4,800. By 1970 the rate was 4.8 percent and the base was $7,800. But in the past 3 years, the acceleration in the rate and wage base have been even more substantial. Today, in 1974, the rate is now a sizeable 5.85 percent, the base is $13,200, and further increases are scheduled in the future. Duplication of such tax burdens among related employers engaged in common economic endeavor surely can no longer be quietly condoned.

Consistent with the proposal which we are recommending is H.R. 13949, introduced by Mr. Rostenkowski on April 3, 1974 (a copy of which is attached).

While we recognize that the committee's basic concern at this time is with the benefits under the unemployment compensation program we earnestly hope that the committee can give favorable consideration to the provisions of H.R. 13949, which deal not only with the "FUTA" tax but with the "FICA" tax for the social security program. We believe that the present duplication of these two taxes goes hand-in-hand. If the committee concludes that the modest proposals which we make providing relief to employers from the "FUTA" tax have merit, then, in principle, the same relief should also be given for "FICA" tax purposes. Therefore we suggest that the committee's action not be confined to the Federal Unemployment Tax Act, but should equally apply to the Federal Insurance Contribution Act. This would conform with congressional action taken in 1966 when Congress directed action in this equitable manner with regard to both retirement insurance and unemployment tax in the Railroad Retirement Tax Act.

On behalf of the National Association of Independent Insurers, allow me to express again appreciation for the opportunity to submit our views on these matters.

93D CONGRESS
2D SESSION

H. R. 13949

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 1974

Mr. ROSTENKOWSKI introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to avoid duplication of tax imposed under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act in the case of employers of the same employee.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 3121 of the Internal Revenue Code of 1954
4 (relating to definitions in respect of certain employment
5 taxes) is amended by adding at the end thereof the follow-
6 ing subsection:
7 "(s) AGREEMENT BETWEEN EMPLOYERS OF THE
8 SAME EMPLOYEE.—Where compensation for services ren-
9 dered in a calendar year is paid an employee by two or more

1 employers, one of the employers who has knowledge of such
2 joint employment may, by proper notice to the Secretary or
3 his delegate, and by agreement with such other employer or
4 employers as to settlement of their respective liabilities under
5 section 3102 and section 3111, elect to have the taxes im-
6 posed by section 3101 and section 3111 apply to so much of
7 the compensation paid by such employer for such calendar
8 year as does not exceed the maximum amount of compensa-
9 tion in respect to which taxes are imposed by section 3101
10 and section 3111; and in such case the liability of such other
11 employer or employers under section 3102 and section 3111
12 shall be limited to the tax applicable to the difference, if any,
13 between the compensation paid by the electing employer and
14 the maximum amount of compensation to which section
15 3101 and section 3111 apply, if paid by a single employer."
16 SEC. 2. Section 3306 of the Internal Revenue Code of
17 1954 (relating to definitions in respect of unemployment
18 tax) is amended by adding at the end thereof the following
19 subsection:
20 "(o) AGREEMENT BETWEEN EMPLOYERS OF THE
21 SAME EMPLOYEE.—Where compensation for services ren-
22 dered in a calendar year is paid an employee by two or more
23 employers, one of the employers who has knowledge of such
24 joint employment may, by proper notice to the Secretary or
25 his delegate, and by agreement with such other employer or

1 employers as to settlement of their respective liabilities under
2 section 3301, elect to have the taxes imposed by section
3 3301 apply to so much of the compensation paid by such
4 employer for such calendar year as does not exceed the maxi-
5 mum amount of compensation in respect to which taxes are
6 imposed by section 3301; and in such case the liability of
7 such other employer or employers under section 3301 shall
8 be limited to the tax applicable to the difference, if any, be-
9 tween the compensation paid by the electing employer and
10 the maximum amount of compensation to which section
11 3301 applies, if paid by a single employer."
12 SEC. 3. The amendments made by this Act shall apply
13 with respect to compensation paid after December 31, 1973.

AMERICAN FEDERATION OF SMALL BUSINESS,
Chicago, Ill.

Hon. WILBUR MILLS,
Chairman, Ways and Means Committee,
Washington, D.C.

DEAR CHAIRMAN MILLS: We wish to express our opposition to federalization of unemployment compensation rates and request that this letter be included with other prepared statements (in lieu of testimony) in your hearings:

1. Economic and social conditions are different in each of the 50 states.
2. The Federal bureaucracy is unable to cope with existing problems such as inflation, shortages.
3. Congress would be under pressure to contantly increase compensation rates and drain State unemployment compensation funds, breaking State budgets, and legislating State unemployment compensation taxes.
4. One bill before your committee already provides for payment of at least two-thirds of the weekly wage for not working. In many cases this would be more than the take-home pay for working.
5. Five million small employers cannot afford ever increasing taxes: Federal and State income taxes, Federal and State unemployment, social security, real and personal property, gasoline and utility taxes, etc. Moreover, small businessmen must pay wages to cover and withhold income and social security taxes from their employees.
6. Wage-rates in seasonal and cyclical industries like construction and autos would be excessive if the seasonal and cyclical layoffs were not taken into consideration. The UAW-auto monopoly has an S.U.B. contract whereby the pay is higher for not working with corresponding job dissatisfaction (reported by TV).
7. Unskilled, untrained, illiterate, obese, anemic, alcoholic, ex-convicts, mentally and physically handicapped are hired and helped to gain self-respect by small business—even though they may have problems that preclude them from being hired for assembly lines with strict attendance or insurance requirements. Small businessmen will find it hard morally and economically, to justify exorbitant compensation for not working while they have to struggle to support their own families by working.

Sincerely,

THOMAS H. LATIMER,
Executive Vice-President.

AMERICAN HOTEL & MOTEL ASSOCIATION,
Washington, D.C., April 23, 1974.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Washington, D.C.

DEAR CONGRESSMAN MILLS: The American Hotel & Motel Association is a federation of hotel and motel associations located in the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands, having a membership in excess of 8,000 hotels and motels containing in excess of 900,000 rentable rooms. The American Hotel & Motel Association maintains offices at 888 Seventh Avenue, New York City, and at 777 14th Street NW., Washington, D.C.

We wish to use this opportunity to briefly express the views of the lodging industry on the administration's Job Security Assistance Act of 1974.

It is our understanding that this act would, among other things, add a specific requirement on benefit amount to the several existing general conditions which a State law must meet before a Federal tax credit can be obtained for the payment of State unemployment taxes.

A.H. & M.A. believes this intrusion into the responsibility of the States is unwarranted. The success of the unemployment compensation program to date, as we see it, has been the appreciation of the need for a workable Federal-State arrangement whereby individual States have been permitted the flexibility to recognize and meet economic differences within their own borders.

Section 102 of title I of the administration's proposal would prohibit States from paying unemployment compensation to any person "who the State finds is a striker under the law of that State." Also, the bill requires that "compensation shall not be denied to any person who is unemployed as a result of a labor dis-

pute and who the State finds is an innocent bystander under the law of that State."

We agree with the philosophy that unemployment insurance should be neutral with respect to labor disputes.

However, we are of the opinion that the above language in the bill would cause problems for the State legislatures. Since every State already has come to grips with the problem, we believe the language ought to be deleted.

Lastly, the administration's bill and H.R. 13214 have provisions which would provide approximately 3 more months of additional benefits in areas of high joblessness. Notwithstanding talk of the energy crisis, the fact is unemployment presently is little different percentagewise than last year at this time.

We feel that additional jobless pay programs at this point are not needed.

Sincerely,

ALBERT L. MCDERMOTT,
Washington Representative.

AMERICAN LEGION,
Washington, D.C., April 26, 1974.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

DEAR MR. CHAIRMAN: The 54th annual National Convention of the American Legion adopted a resolution calling for amendatory legislation to improve the Federal unemployment compensation program for ex-servicemen.

Specifically, the resolution seeks an increase in unemployment compensation of no less than 50 percent of the ex-serviceman's military pay up to a maximum of 66⅔ percent of the average weekly wage in the State where he resides. It also asked that duration of payments, eligibility requirements, and disqualification provisions be determined on a uniform basis irrespective of State employment compensation laws. In addition, the resolution asked that funds for the program provided in the budget for the Department of Labor be open-ended by deleting all references to specific amounts in the annual fiscal appropriation measure.

As you know, Mr. Chairman, the current rate of unemployment among Vietnam-era veterans has increased 1 percent since December 1973. For those in the age group 20 to 24 the rate is now 9.9 percent as compared to 7.7 percent for nonveterans of the same age. Unemployment rates for minority veterans are higher. At the same time employment services for veterans are being reduced, thus creating additional claims for unemployment compensation benefits.

The American Legion would appreciate your including these recommendations for improvements in the program in the record of the hearings your committee has conducted on this subject.

Sincerely yours,

HERALD E. STRINGER,
Director, National Legislative Commission.

STATEMENT OF DURWARD K. MCDANIEL, ON BEHALF OF THE AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND, THE AMERICAN COUNCIL OF THE BLIND, AND THE AMERICAN FOUNDATION FOR THE BLIND

SUMMARY

The American Association of Workers for the Blind, the American Council of the Blind, and the American Foundation for the Blind favor the amending of section 3309 of the Internal Revenue Code to provide coverage and unemployment compensation benefits for handicapped employees of sheltered workshop facilities conducted for the purpose of carrying out a program of providing remunerative work for individuals who, because of their impaired physical or mental capacity, cannot be readily absorbed in the competitive labor market.

STATEMENT

Our concern is for 90,000 handicapped workers employed in 2,157 workshops holding subminimum wage certificates from the U.S. Department of Labor. The Employment Security Amendments of 1970 (Public Law 91–373) required the

extension of unemployment benefits to employees of nonprofit organizations but expressly excluded handicapped workers of such employers. The Senate Committee on Finance amended that legislation (H.R. 14705) to include handicapped workers but the amendment was deleted in the joint conference on the bill.

We call upon Congress to amend section 3309 of the Internal Revenue Code to correct the inequity suffered by such handicapped workers by reason of the express provisions of Public Law 91–373. The reasons for providing unemployment compensation are well understood. What seems not to be well understood is the fact that handicapped employees of nonprofit organizations (most of whom work for subminimum wages) need the protection of this law more than others because their job opportunities are severely limited. None of these employers can or do guarantee full-time, permanent work for their handicapped employees. Accordingly, their insecurity is compounded by their omission from an act of Congress.

Nonhandicapped employees of nonprofit organizations now have the protection of unemployment compensation and we commend Congress for extending this protection to them. The cost of extending this protection to nonhandicapped employees has not had a detrimental effect. Many of the affected employers have fewer handicapped employees than nonhandicapped. Accordingly, the cost of extending this same protection to the handicapped workers who are, after all, the employers' principal reason for existing, should not be allowed to perpetuate a double standard in which the handicapped worker is denied equal protection of the law.

We reject the assumption that handicapped workers should be satisfied with a welfare status when they become unemployed. Some of them would not be eligible for welfare. In any event, we contend that handicapped workers are entitled to the same status, dignity, and protection as all others.

We do not suggest that the act be made applicable to handicapped persons receiving rehabilitation training and evaluation, and this is clear from the first of our proposed amendments. This proposed amendment repeats the action taken by the Senate 4 years ago. The second amendment which we propose would have the effect of making the law applicable to sheltered workshops operated by a State government. There are several of such workshops although they constitute a minor fraction of the total.

First proposed amendment

That section 3309(b)(4) of the Internal Revenue Code be amended to read in its entirety as follows:

> "(4) in a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, by an individual receiving such rehabilitation;" (Subparagraph (B) is deleted by the foregoing amendment.).

Second proposed amendment

That section 3309(a)(1)(B) of the Internal Revenue Code be amended by inserting immediately before the word "hospital" the following:

> "facility conducted for the purpose of carrying out a program of providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed into the competitive labor market,".

UNITED STATES CATHOLIC CONFERENCE,
OFFICE OF GOVERNMENT LIAISON,
Washington, D.C., April 24, 1974.

Hon. WILBUR MILLS,
Chairman, Ways and Means Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the United States Catholic Conference and the National Conference of Catholic Bishops, I wish to express our support for the proposed extension of unemployment compensation coverage to farmworkers.

As you know, this was a matter of considerable debate in 1969 and 1970 when the Congress was considering amendments to the Federal-State unemployment compensation program.

The research required by Public Law 91–373 has now been completed and the reports indicate that farmworker coverage is feasible and would not work an

excessive hardship on agricultural employers. Based on these reports, the administration has recommended coverage of farm employers who employ four or more workers in each of 20 weeks during the current or preceding calendar year or who pay $5,000 in wages in a calendar quarter. From the data we have seen, this would constitute a modest beginning on a long overdue extension of coverage.

In November 1968, the Catholic bishops of the United States, in their statement on farm labor, urged that Congress enact legislation to include farmworkers under the national unemployment insurance program. Therefore, we urge your committee to act favorably on the administration's recommendations in regard to farm labor coverage. From our point of view, these amendments are an important step toward justice for farmworkers who have been denied the full protections of many of our labor laws. The farm labor provisions of the proposed Job Security Assistance Act will implement the promises of 3 years ago and begin to extend equity to a long-abused segment of our laboring force.

Very truly yours,

JAMES L. ROBINSON, *Director.*

STATEMENT OF WILLIAM L. HEARTWELL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION

There are several points I would invite to the attention of the committee as to how the proposed unemployment insurance legislation would affect our program in Virginia.

First, concerning all of the proposals, I am very much opposed to the attempt being made in the Congress to add on additional or temporary unemployment insurance programs to our existing program. The proliferation of proposals that have been introduced in one bill or another in the present session of Congress includes the Trade Expansion Act, the Emergency Energy Act, bills concerned with environmental impact, and others concerned basically with extending benefits due to the mass layoffs experienced in many of our highly industrialized States.

Although I am certainly sympathetic to rising unemployment in any State, the present system as structured, in my opinion, provides the necessary framework of paying all unemployment insurance benefits that are needed, regardless of how an individual might lose his job; whether due to natural disaster, environmental impact, foreign imports, or the layoffs occasioned by the current energy situation.

I am pleased to report that the effect of the current energy situation in Virginia on our unemployment insurance program has been minimal. The current unemployment rate is a low 2.8 percent (insured unemployment rate is 1.2 percent) and total layoffs, after recalls, due to the energy crisis have only totaled 2,300 workers out of a total labor force of approximately 2 million.

The Virginia unemployment trust fund remains in a strong position. At present we have approximately $242 million available for benefit payments. Further, our projections for anticipated job layoffs and dislocations that could be activated by the energy situation indicate that even in a severe recession our fund could readily withstand such an impact. I strongly feel the present unemployment insurance system is sufficient to adequately sustain our program and that no new temporary programs are needed.

It also appears to me that some aspects of the proposed temporary legislation are excessive and if modification in the permanent extended benefit program is deemed necessary this could be accomplished with amendments to the existing system that has served us so well through the years.

Second, I am opposed to the administration's unemployment insurance bill, the "Job Assistance Act of 1974," because it would mandate Federal benefit payment standards. If this should be accomplished it is my belief that the next step would be additional Federal standards governing qualification and eligibility requirements which would basically mean a federalized unemployment insurance system.

The record in Virginia shows that we have continually favored improvements in our unemployment insurance benefit program. Although we agree with the administration's goals concerning benefit payments, we firmly believe that the

States should retain their long-standing prerogatives to achieve these objectives on their own initiative. The unemployment insurance system is certainly one of the best examples of successful State-Federal cooperation and I deplore any attempts to damage or destroy this relationship.

As an example of the continuing improvement to the UI program in Virginia, our general assembly has enacted legislation in the past three sessions that have raised our maximum weekly benefit amount from $42 to $87. When this latest legislation becomes effective on July 1, 1974, our maximum weekly benefit amount will be 60 percent of the State's average weekly wage and will insure that 90 percent of our eligible claimants will receive one-half of their normal weekly earnings. I fully expect our maximum weekly benefit amount to move to 66⅔ percent of the average weekly wage in the next regular session of our general assembly. Virginia can and will meet the objectives of the Federal benefit standards on its own initiative. In addition our last session of the general assembly in Virginia extended unemployment insurance coverage to the remaining 38,000 State employees who were not previously covered under the act.

Concerning the provision in the administration's bill that would broaden farm coverage I do not personally oppose this provision but would be extremely reluctant to support it until our farm groups and associations in Virginia had had an ample opportunity to review such legislation and its effect on their operations.

I am not opposed to the intent of the provision for denial of benefits during labor disputes but strongly feel this is an individual State concern and I would be opposed to setting a Federal standard for the payment of benefits during a strike. Our present law in Virginia concerning this provision has not created any problems and I feel it would be more effective as presently constituted.

In summation, first, I feel the present unemployment insurance system as structured is sufficient to properly administer all aspects of unemployment regardless of the cause and that modification of the extended benefit formula to accommodate those States experiencing higher unemployment should be made within the present framework.

Second, Virginia opposes the Federal benefit standard provisions in the proposed legislation and the provisions concerning labor disputes and would oppose at this time extending additional coverage to farm workers under the provisions of the act.

[Telegram]

CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT.
Sacramento, Calif., April 15, 1974.

Hon. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

As director of the California agency and representing the largest State participating in the Federal-State unemployment insurance program, I urge the serious consideration of you and your committee to our views on the administration's Job Security Assistance Act.

The following applies to provisions of title I.

Benefit amount requirement would seriously jeopardize solvency of California unemployment insurance trust fund. Would discourage some individuals from accepting work, thereby extending average duration of unemployment. We vigorously oppose this provision. We support coverage of farmworkers but recommend amendment providing agricultural labor contractors are employers. Recommendation based on experience with California's disability insurance agricultural coverage. We strongly support temporary FUTA tax increase as essential to finance fed ed program. We support labor dispute requirement and California law already conforms. We support pro rata sharing of UCFE–X benefits costs since simplifies accounting procedures.

Under title II we oppose the provision of temporary unemployment compensation for noncovered workers and extended benefits for exhaustees in designated areas. Such provision seriously detracts from basic concept of UI as an insurance program.

RICHARD L. CAMILLI, *Director.*

FLORIDA FRUIT & VEGETABLE ASSOCIATION,
Orlando, Fla., April 16, 1974.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR CONGRESSMAN MILLS: The purpose of this letter prepared by the Florida Fruit & Vegetable Association, 4401 East Colonial Drive, Orlando, Fla., a trade association representing growers who produce more than a majority of the fruits and vegetables grown in the State of Florida, is to submit the views of its members concerning H.R. 8600, which would amend the current Federal unemployment insurance laws to include agricultural workers within its provisions.

This association has long taken the position that we would not oppose coverage of agricultural workers under appropriate State and Federal unemployment insurance laws, provided it can be shown that this would be an economically feasible program and that it would contribute to the stability of the agricultural labor force in Florida.

Unemployment insurance coverage could conceivably contribute to the stability of the agricultural labor force in Florida. There is good probability that migrant workers who are now home based in Florida would settle in Florida on a year-round basis.

However, we do not believe it has yet been shown that it would be an economically feasible program. The potential added stability of the labor force by unemployment insurance coverage could be the very factor that renders the program economically unfeasible for agriculture.

We are familiar with the 15-State U.S. Department of Labor study on the impact of extending unemployment insurance coverage to agriculture. However, we do not feel the study truly reflects what the costs would be if unemployment insurance was extended to agriculture for the following reasons:

1. The total number of "hired" workers shown as employed in Florida agriculture by the Florida survey was 65,624. We feel this figure is too low by about 50 percent. The U.S. Department of Agriculture Statistical Reporting Service Report for February 10, 1971, indicates that in January of 1971, the workers on Florida farms totaled 132,000, of which 28,000 were "family farm" workers and would not be included in unemployment insurance. This leaves a balance of 104,000 "hired" workers in January of 1971, the month the U.S. Department of Labor's 15-State survey was made in Florida, or about a 60 percent discrepancy with the survey. Florida Department of Commerce figures also back up the approximately 100,000 "hired" worker figure. Our concern is that the 37 percent who were missed in the unemployment insurance survey are the very workers who could be drawing the most benefits and, therefore, increasing the costs of the program far beyond the 3.06 of gross payrolls projected by the unemployment insurance survey.

2. We believe unemployment insurance coverage could contribute to the stability of the agricultural labor force by drastically reducing both the interstate and intrastate migration of agricultural workers. We are familiar with the U.S. Department of Labor's report entitled "Migration and the Cost of Unemployment Insurance Protection for Agricultural Workers," published by Robert D. Emerson of Agricultural Experiment Stations, IFAS, wherein on page 42, it is concluded: "It has been found on the basis of a survey of agricultural workers in 14 States that the effect of presently migratory workers discontinuing such migration would be to approximately double the cost rate for unemployment insurance protection for agricultural workers."

This analysis would mean the cost to Florida employers would be 6.12 percent of gross payrolls without consideration of the thoughts previously expressed with regard to numbers. Additionally, the report only concerns itself with the discontinuance of interstate migration. It could safely be assumed that discontinuation of intrastate migration in a State as large as Florida would also occur and would also increase the cost of providing unemployment insurance to agricultural workers by reducing the number of weeks worked over the qualifying period and increasing the number of weeks unemployment insurance is paid.

On the basis of the arguments presented above, the Florida Fruit & Vegetable Association is not for the inclusion of agricultural workers under unemployment insurance as proposed by H.R. 8600 until such time as it can be shown to be economically feasible.

We respectfully request that our opposition be entered as part of the hearing record of the House Ways and Means Committee.

Sincerely yours,

GEORGE F. SORN,
Manager, FFVA Labor Division.

STATEMENT OF PAUL L. SOMMERER, CHAIRMAN, ILLINOIS EMPLOYERS' JOINT POLICY COMMITTEE ON UNEMPLOYMENT COMPENSATION

Five of the major employer associations in Illinois have formed a Joint Policy Committee on Unemployment Compensation in order to more effectively utilize the knowledge, experience and expertise of each. They are the Associated Employers of Illinois; the Chicago Association of Commerce and Industry; the Illinois Manufacturers' Association; the Illinois Retail Merchants' Association; and the Illinois State Chamber of Commerce.

Our Joint Policy Committee is firm in the belief that Illinois can best determine and shape the unemployment compensation program required to meet our State's particular circumstances and needs. A brief review of Illinois' program will clarify why we have such confidence in it.

A State statute provides a Governor's advisory board on unemployment compensation, with three members representing labor, three from the employers, and three selected from the public at large. Through the efforts of this advisory board the Illinois unemployment compensation program has, over the years, provided adequate equitable benefits under administrative procedures generally regarded as efficient and effective. An "agreed bill" passed during the last general assembly provided, effective November 4, 1973, an average 16 percent increase in the maximum weekly benefits, so that an applicant with four or more dependents receives a maximum benefit of $105 per week.

Our benefit structure is based on a system of variable maximums, depending on both the applicant's prior earnings and the number of dependents. This has proved more beneficial to recipients than an across-the-board flat rate, and has been preferred by all parties involved in the agreed bill process.

Our taxing procedure, too, is somewhat unique. It is built around an "experience factor" method of determining each individual employer's experience over the past 3 years (how many laid off for how long out of a work force of how many), as well as the status of the overall State unemployment compensation trust fund. This has provided both a fair tax base and a healthy trust fund. For example, it was necessary to almost double the tax rate for 1973 in order to compensate for the higher unemployment experienced in 1971 and early 1972. Now that the trust fund is at a more secure level, the 1974 tax rate has been reduced.

In summation, our five employer associations oppose any Federal legislation concerning unemployment compensation. We consider such inappropriate in light of Illinois' proven program and believe it could not possibly be as responsive to Illinois' employees and employers as our own cooperative program.

STATEMENT OF H. FRED GARRETT, EXECUTIVE DIRECTOR, IDAHO DEPARTMENT OF EMPLOYMENT

My name is H. Fred Garrett, executive director of the Department of Employment, State of Idaho, and responsible for State administration of the Idaho employment security law, which includes the administration of the State unemployment insurance program.

I appreciate this opportunity to make known to this committee, and for the hearings record, my views with regard to the proposals for improving and extending the nation's unemployment compensation program. These views are based on association with this program since its inception in Idaho, and as administrator for most of that period.

First, let me make clear that I fully support the basic philosophy undergirding the program, and realize that these very principles dictate a process of continuous review and updating to maintain a proper relationship to a growing, expanding, and constantly changing economy. It is in keeping with these principles and the objectives of a Federal-State system that I have consistently

opposed, and continue to oppose, the addition of Federal standards, which, in my opinion, violate the basic concept under which the Federal-State relationship in this particular field was conceived.

The proposed benefit amounts standard under title I of the amendments is based upon an arbitrary Federal minimum as determined by the Federal administration. The administration has continued to ask Congress for this standard, even though the States have moved progressively toward improvement of the weekly benefit amount most significantly in the past few years. I believe the States will continue to act responsibly in this area. In my own State, the benefit formula has had successive improvements. Since 1972, the maximum weekly benefit amount as a percent of the State's average weekly wage in covered employment has risen from 52½ percent to the present 60 percent. Many other States have acted similarly, with some having a maximum weekly benefit amount equal to the proposed standards.

While I am in support of the principle of extension of unemployment insurance coverage to agricultural workers under national legislation which is necessary to avoid unfair competition between States, I do not believe it is proper use of taxing authority to saddle the additional costs that would be involved on those who are now financing the basic program. This coverage does not fit into the existing financing structure, and would consequently create some injustices and inequities. The payment of benefits to agricultural workers as proposed would integrate both employers and workers into the existing system, allocating costs to individual employers within the agricultural industry, which would result in putting many farm operators out of business. The highly seasonal composition of the agricultural industry makes it necessary for many to rely on migratory labor. Consequently, uncontrollable costs would be extremely high for many food producers. The problem might more properly be classified as a social concern than any other, from the standpoint of costs in both administration and payment of benefits.

The States are and have been underfinanced for the administration of their unemployment compensation and employment service responsibility, and this has become particularly acute during the past 2 years, and prospects for fiscal year 1975 are so restricted in many necessary functions in the administration of the existing program that effective and efficient administration has become practically impossible. The additional proposed coverage of agricultural labor would add substantially to the States administrative costs, which are currently underfinanced, in addition to the deficits that would occur in funding benefit costs. I am compelled to recommend that the Congress effectively restrict the use of the dedicated funds derived under the Federal Unemployment Tax Act to the purposes for which those funds were intended. Along with this, I would recommend that special or additional programs be financed at least to the extent that they are not self-supporting from general revenue.

Title II of this bill provides for a special unemployment compensation program, presumably designed to meet the problems of the long-term unemployed beyond the 39 weeks provided in the present basic and Federal-State extended benefit program. In addition to making it possible for an unemployed worker to receive 52 weeks of unemployment insurance benefits, it contains several other unusual provisions. It proposes benefits for wage earners not covered by the basic program. It provides for area triggering of special benefits instead of statewide. Although I am opposed to the present system of emergency continuation of temporary unemployment insurance benefits, I believe a better method would be to strengthen and improve the basic Federal-State program, rather than impose another Federal unemployment insurance program on top of the existing system.

The Interstate Conference of Employment Security Agencies, to which all States, including the District of Columbia, Puerto Rico, and the Virgin Islands, are automatically members, has, through special committees, done much work in the area of strengthening our present Federal-State system, and I urge that this committee and the Congress give consideration to their recommendations because they are the result of input from those who have direct responsibility for the day-to-day operations and who are answerable to the people who are most directly concerned with program administration.

In closing, I want to express my appreciation to the chairman and the members of the House Ways and Means Committee for any consideration that may be given to my recommendations.

[Western Union Mailgram]

ASSOCIATED INDUSTRIES OF IDAHO,
Boise, Idaho, April 23, 1974.

JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
Washington, D.C.

Please include the following statement in hearings of this date re Job Security Assistance Act of 1974. "It is the belief of Idaho Industry as represented by this association that the unemployment compensation program has been well administered by the States with steady and notable improvement, federally set minimum benefit standards are unnecessary and the imposition of another Federal unemployment insurance program on top of the existing system to solve energy caused or other unemployment of a local nature should be rejected."

LEO V. BODINE, *President.*

PENNSYLVANIA EMPLOYERS CONFERENCE,
Camp Hill, Pa., April 22, 1974.

COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

GENTLEMEN: The Pennsylvania Employers Conference, organized in 1940 to seek improvements in the unemployment compensation laws, is composed of 26 of the leading Pennsylvania business and trade associations, which represent the majority of employers in Pennsylvania's industrial and commercial fields.

We have reviewed the statement of Robert H. Meeker, assistant to the president of the Pennsylvania Manufacturers' Association, filed with your committee in regard to the "Job Security Assistance Act of 1974." We find that the views and opinions set forth by Mr. Meeker in his statement reflect and coincide with the views and opinions held by the Pennsylvania Employers Conference and we wish to file this letter to go on record with your committee as heartily endosing Mr. Meeker's statement.

Sincerely yours,

DONALD R. GILLIS, *Chairman.*

STATEMENT OF ROBERT H. MEEKER, ASSISTANT TO THE PRESIDENT, PENNSYLVANIA MANUFACTURERS' ASSOCIATION

Pennsylvania Manufacturers' Association, representing 10,000 small- and medium-sized business and industry employers in Pennsylvania, would like to comment upon the administration's proposal on unemployment compensation entitled "Job Security Assistance Act of 1974."

THE 66⅔-PERCENT ESCALATOR

For more than two decades, business and industry has continually requested the Congress to avoid setting Federal benefit standards. And Congress has continually complied with these requests, in the faith that the States would adjust their respective benefit levels according to the needs of their people.

While it is true that benefit levels have not reached a point where 80 percent of the insured workers would receive 50 percent of their wages, the States in fact have been increasing their maximum unemployment compensation benefit toward this goal.

Pennsylvania is tied to a 60-percent escalator requiring a $96 weekly maximum for 1974, with $5 and $3 respectively added as dependency allowances. In addition, benefits are payable for a uniform duration of 30 weeks, the longest such type of duration of any State in the Nation. In fact, the State legislature has before it at the present time proposed legislation to increase the maximum benefit amount to the proposed Federal standard of 66⅔ percent of the statewide average weekly wage. If this proposal is enacted, the maximum benefit will soar to $106 per week.

The added maximum dependency allowance of $8 increases the weekly amount to $114 or a total of $3,420 for 30 weeks—tax free! If we added to this the many

proposals being made to the Congress for extended benefits, this would provide 52 weeks of benefits. The result: A tax-free income of $5,928 for 1 year for an unemployed person with two dependents—the same amount taken home by the married man with two dependents earning $7,000 a year.

Unfortunately, the suggestion that 66⅔ percent of the statewide average weekly wage will produce at least a 50 percent benefit for 80 percent of the covered employees in a State if they become unemployed, is a myth. It actually would produce far more than a 50 percent return.

Benefit calculations no matter what the formula, is predicated upon gross wages not take home pay. Thus the unemployed worker who receives benefits today is being reimbursed at least 75 percent of his take home pay depending upon his wage deductions. In our view, the need for a 66⅔ percent formula is not justified.

The Pennsylvania Unemployed Compensation Law was amended in October 1971 to increase the maximum weekly benefit amount from $60 to 60 percent of the average insured weekly wage in the State. ($81 in 1971; $85—1972; $91—1973; $96—1974.)

It cost Pennsylvania employers $64 million when the maximum weekly benefit rate was increased from $60 in 1971 to $85 in 1972. If the proposed 66⅔ percent is adopted in 1974, it will further increase employer costs to a total of $100 million from the time the 60 percent escalation was adopted in 1971. In fact Pennsylvania employer unemployed compensation costs in 1974 will double over the amount paid in 1971 without regard to the additional cost of a 66⅔ percent escalator.

PENNSYLVANIA EMPLOYERS UNEMPLOYMENT COMPENSATION COSTS

	1974 (estimated)	1973	1972	1971
Employer unemployment compensation tax (percent)	2.49	2.35	1.56	1.41
Employer contributions (millions)	$338.5	$337.4	$213.4	$170
Employer tax range (percent)	.9 to 4	.7 to 4	.3 to 4	.1 to 4
Employer adjustment tax (percent)	.9	.7	.3	.1
Maximum weekly benefit	$96	$91	$85	$60
Dependency allowances	$8	$8	$8	0
Total maximum unemployment compensation amount	$2,880	$2,730	$2,550	$1,880
Total dependency allowances	$240	$240	$240	0

EXTENDED BENEFITS

It is time to adopt an extended benefits program that is flexible enough to take care of "emergencies."

On the books at the present time are two permanent extended programs:

National

To activate when the national insured unemployment rate is 4.5 percent over a 3 consecutive month period.

State

To activate when any State insured unemployment rate for any 13 consecutive week period is 120 percent more than the same comparable period over the last 2 years, and insured unemployment is 4 percent or more.

It seems to us that if from experience the 120 percent State factor has caused hardships because this criteria could not be met as the rate of unemployment rose to 5 or 6 percent, then it could be made inoperative at such point. A 4-percent insured unemployment rate by itself appears to be too low to add 13 more weeks to regular unemployment compensation State programs.

Area

This is a new concept introduced by Congressman Burke (Democrat of Massachusetts) which would activate an extended program on an area-by-area basis (250,000 population minimum). There is no reason why a State program should be further decentralized.

Since the energy crisis has eased to the point that unemployment is on the way down, there is no justification for even a temporary extended program for isolated areas.

LABOR DISPUTE

New York and Rhode Island are the only two States permitting unemployment compensation benefits to be paid to strikers. All other States deny benefits to strikers. Many States permit (including Pennsylvania) benefits to be paid to workers if they are "locked out" of their jobs. Much depends upon the definition and interpretation of the word "lockout" in State unemployment compensation laws.

The States have been handling this difficult problem and we suggest they continue to do so.

FARM WORKERS

Pennsylvania has approximately 71,000 farms employing from 63,100 to 90,000 workers depending upon the harvest needs.

Since the proposal is primarily to cover commercial farms and to be self-financing, it is not anticipated that benefit costs to the Pennsylvania unemployment compensation fund would be significant.

[Western Union Telegram]

HUGHES AIRCRAFT CO.,
Culver City, Calif., April 20, 1974.

HOUSE WAYS AND MEANS COMMITTEE,
Longworth House Office Building,
Washington, D.C.

It has come to this company's attention that the predicated energy-related increase in unemployment has in fact not materialized but, rather, the unemployment rate has declined within the last month. This company, therefore, believes the unemployment insurance liberalization provisions contained in section 114 should be deleted from S. 3267, which bill comes before your committee for hearings on April 22 and 23. We urge you to recommend its deletion to the Senate.

D. L. RAISOR,
Manager, Employee Benefits.

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